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## **Jinxin Fertility Group Limited**

**錦欣生殖醫療集團有限公司\***

*(Incorporated under the laws of the Cayman Islands with limited liability)*

**(Stock Code: 1951)**

### **ANNOUNCEMENT OF THE RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2022**

#### **FINANCIAL HIGHLIGHTS**

- Revenue of the Group for the six months ended June 30, 2022 was approximately RMB1,138.2 million, representing an increase of 32.5% when compared with that of approximately RMB859.3 million for the six months ended June 30, 2021.
- Net profit of the Group for the six months ended June 30, 2022 was approximately RMB187.6 million, representing an increase of 15.4% when compared with that of approximately RMB162.6 million for the six months ended June 30, 2021. Profit attributable to owners of the Group for the six months ended June 30, 2022 was approximately RMB190.1 million, representing an increase of 22.2% when compared with that of approximately RMB155.6 million for the six months ended June 30, 2021. Non-IFRS adjusted net profit<sup>(1)</sup> of the Group for the six months ended June 30, 2022 was approximately RMB258.2 million, representing an increase of 13.2% when compared with that of approximately RMB228.1 million for the six months ended June 30, 2021. Non-IFRS adjusted profit attributable to owners of the Group for the six months ended June 30, 2022 was approximately RMB260.7 million, representing an increase of 17.9% when compared with that of approximately RMB221.1 million for the six months ended June 30, 2021.
- Non-IFRS EBITDA<sup>(2)</sup> of the Group for the six months ended June 30, 2022 was approximately RMB333.5 million, representing an increase of 35.0% when compared with that of approximately RMB246.9 million for the six months ended June 30, 2021. Non-IFRS adjusted EBITDA<sup>(3)</sup> of the Group for the six months ended June 30, 2022 was approximately RMB384.1 million, representing an increase of 28.4% when compared with that of approximately RMB299.3 million for the six months ended June 30, 2021.

- Basic earnings per share for the six months ended June 30, 2022 amounted to RMB0.08. Non-IFRS adjusted basic earnings per share<sup>(4)</sup> for the six months ended June 30, 2022 amounted to RMB0.10.
- The Board does not recommend payment of an interim dividend for the six months ended June 30, 2022 (for the six months ended June 30, 2021: nil).

### **Non-IFRS Measures**

To supplement the Group's condensed consolidated financial statements which are presented in accordance with IFRS, the Company has provided EBITDA, adjusted EBITDA, and adjusted net profit as non-IFRS measures, which are not required by, or presented in accordance with, IFRS. The Company believes that the non-IFRS adjusted financial measures provide useful information to investors and others in understanding and evaluating the Group's consolidated statements of profit or loss in the same manner as they helped the Company's management, and that the Company's management and investors may benefit from referring to these non-IFRS adjusted financial measures in assessing the Group's operating performance from period to period by eliminating impacts of items that the Group does not consider indicative of the Group's operating performance. However, the presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRS. You should not view the non-IFRS adjusted results on a stand-alone basis or as a substitute for results under IFRS.

#### *Notes:*

- (1) Non-IFRS adjusted net profit is calculated as net profit for the Reporting Period, excluding (i) ESOP expenses; (ii) amortization and depreciation of medical practice license, non-compete agreement and property, plant and equipment arising from acquisitions; and (iii) one-off loss incurred by Wuhan Jinxin Hospital as a result of the temporary suspension of its ARS business, to better reflect the Company's current business and operations.
- (2) Non-IFRS EBITDA is calculated as the earnings before interest, taxes, depreciation of property, plant and equipment and amortization of intangible assets, which is defined as profit before taxation plus finance costs, depreciation of property, plant and equipment, and amortization of medical practice license and non-compete agreement, less interest income.
- (3) Non-IFRS adjusted EBITDA is calculated as non-IFRS EBITDA for the Reporting Period, excluding (i) ESOP expenses; and (ii) one-off loss incurred by Wuhan Jinxin Hospital as a result of the temporary suspension of its ARS business, to better reflect the Company's current business and operations.
- (4) Non-IFRS adjusted basic earnings per share is calculated as non-IFRS adjusted net profit divided by weighted average number of ordinary shares for the purpose of calculating basic earnings per share.

## INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2022

The Board of Directors is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2022, together with the comparative figures for the corresponding period in 2021.

In this announcement, “we”, “us”, and “our” refer to the Company and where the context otherwise requires, the Group.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2022

	NOTES	Six months ended June 30,	
		2022	2021
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	<b>1,138,228</b>	859,303
Cost of revenue		<b>(673,924)</b>	(496,061)
Gross profit		<b>464,304</b>	363,242
Other income	4	<b>27,432</b>	21,799
Other gains and losses, net	5	<b>23,740</b>	10,778
Research and development expenses		<b>(4,738)</b>	(4,980)
Administrative expenses		<b>(187,596)</b>	(144,664)
Selling and distribution expenses		<b>(53,682)</b>	(26,127)
Share of results of associates		<b>(1,235)</b>	(3,545)
Share of result of a joint venture		<b>(1,571)</b>	(871)
Finance costs	6	<b>(32,994)</b>	(8,845)
Profit before taxation	7	<b>233,660</b>	206,787
Income tax expenses	8	<b>(46,063)</b>	(44,156)
Profit for the period		<b>187,597</b>	162,631

	<i>NOTES</i>	<b>Six months ended June 30,</b>	
		<b>2022</b>	2021
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(unaudited)</b>	(unaudited)
<b>Other comprehensive income (expense):</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange difference on translation from functional currency to presentation currency		<b>549,530</b>	(112,768)
Fair value loss on equity instrument at fair value through other comprehensive income (“FVTOCI”)		<b>(968)</b>	(3,942)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u><b>(346,726)</b></u>	<u>36,482</u>
Other comprehensive income (expense) for the period		<u><b>201,836</b></u>	<u>(80,228)</u>
Total comprehensive income for the period		<u><b>389,433</b></u>	<u>82,403</u>
Profit (loss) for the period attributable to:			
– Owners of the Company		<b>190,149</b>	155,648
– Non-controlling interests		<u><b>(2,552)</b></u>	<u>6,983</u>
		<u><b>187,597</b></u>	<u>162,631</u>
Total comprehensive income (expense) for the period attributable to:			
– Owners of the Company		<b>390,581</b>	75,420
– Non-controlling interests		<u><b>(1,148)</b></u>	<u>6,983</u>
		<u><b>389,433</b></u>	<u>82,403</u>
Earnings per share:			
– Basic (RMB)	<i>10</i>	<u><b>0.08</b></u>	<u>0.06</u>
– Diluted (RMB)		<u><b>0.07</b></u>	<u>0.06</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2022

	<i>NOTES</i>	<b>As at June 30, 2022 RMB'000 (unaudited)</b>	<b>As at December 31, 2021 RMB'000 (audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	2,519,809	1,092,059
Right-of-use assets	11	575,727	400,928
Goodwill		2,870,461	2,719,747
Licenses		1,245,878	1,238,186
Non-compete agreement		20,089	19,828
Contractual right to provide management services		1,891,944	1,797,310
Trademarks		2,251,403	2,151,480
Investments in preferred shares measured at fair value through profit or loss (“FVTPL”)		179,164	169,930
Interests in associates accounted for using equity method		–	–
Interest in a joint venture		–	210
Equity instrument at FVTOCI		4,558	5,279
Loan receivable		18,222	17,074
Financial assets at FVTPL		53,239	177,747
Pledged bank deposits		–	180,000
Refundable deposits		65,613	65,610
Prepayments		1,065,790	47,417
Deferred tax assets		17,888	7,020
Life insurance policy		21,301	–
Amounts due from associates		146,828	129,959
Amounts due from other related parties	12	10,989	62,474
		<b>12,958,903</b>	<b>10,282,258</b>
<b>Current assets</b>			
Inventories		36,133	46,807
Accounts and other receivables	13	166,602	142,685
Amounts due from other related parties	12	303,120	420,453
Amounts due from an associate		20,060	–
Tax recoverable		37,825	5,166
Time deposits		77,114	846,959
Other financial assets at FVTPL	14	203,072	218,737
Pledged bank deposits		180,000	–
Bank balances and cash		1,101,734	862,325
		<b>2,125,660</b>	<b>2,543,132</b>

	<i>NOTES</i>	As at <b>June 30, 2022</b> <i>RMB'000</i> (unaudited)	As at December 31, 2021 <i>RMB'000</i> (audited)
<b>Current liabilities</b>			
Accounts and other payables	15	907,772	445,518
Amounts due to related parties	12	112,307	415,139
Lease liabilities		62,040	62,180
Tax payables		55,295	107,438
Bank borrowings	16	45,000	37,746
Convertible bonds		1,563,935	–
Other financial liabilities		–	3,501
		<u>2,746,349</u>	<u>1,071,522</u>
<b>Net current (liabilities) assets</b>		<u>(620,689)</u>	<u>1,471,610</u>
<b>Total assets less current liabilities</b>		<u><u>12,338,214</u></u>	<u><u>11,753,868</u></u>
<b>Non-current liabilities</b>			
Lease liabilities		369,920	370,894
Deferred tax liabilities		1,054,643	1,011,341
Bank borrowings		2,090,239	126,000
Other payables		100,435	–
Convertible bonds		–	1,492,932
		<u>3,615,237</u>	<u>3,001,167</u>
<b>Net assets</b>		<u><u>8,722,977</u></u>	<u><u>8,752,701</u></u>
<b>Capital and reserves</b>			
Share capital		165	165
Reserves		<u>8,601,962</u>	<u>8,545,135</u>
Equity attributable to owners of the Company		<u>8,602,127</u>	8,545,300
Non-controlling interests		<u>120,850</u>	<u>207,401</u>
<b>Total equity</b>		<u><u>8,722,977</u></u>	<u><u>8,752,701</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2022

## 1. GENERAL AND BASIS OF PREPARATION

Jinxin Fertility Group Limited (the “Company”, together with its subsidiaries collectively referred to as the “Group”) was incorporated and registered as an exempted company in the Cayman Islands with limited liability under Companies Law (2018 Revision) of the Cayman Islands, Cap. 22 (Law 3 of 1961) as amended or supplemented or otherwise modified from time to time on May 3, 2018 and its shares have been listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since June 25, 2019. The addresses of the registered office of the Company and the principal place of business of the Company are disclosed in the section “Corporate Information” in the interim report.

The Company is an investment holding company. The major subsidiaries of the Company are principally engaged in the provision of (i) assisted reproductive services; (ii) management services; (iii) ambulatory surgery centre facilities services; (iv) ancillary medical services; (v) obstetrics, gynecology and pediatrics medical services; and (vi) sales of medicines, consumables and equipment.

The condensed consolidated financial statements are presented in Renminbi (“RMB”), which is different from the Company’s functional currency of United States dollars (“US\$”). The condensed consolidated financial statements are presented in RMB as it best suits the needs of the shareholders and investors.

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting issued by the International Accounting Standards Board (“IASB”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange.

### Going concern assessment

In preparing the Group’s condensed consolidated financial statements, the Directors of the Company have carefully considered the future liquidity of the Group in light of the fact that the Group’s current liabilities exceeded its current assets by RMB620,689,000 and the Group’s current liabilities primarily comprise of convertible bonds which are due within one year of RMB1,563,935,000 as at June 30, 2022.

The directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial sources to continue as a going concern for a period of not less than twelve months from June 30, 2022. The following plans and measures are formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

- i. On August 10, 2022, the Group negotiated and obtained confirmations from its related parties, KangSeed Technology Limited (“KangSeed”) and 成都市錦江區婦幼保健院 (Jinjiang District Maternity and Child Health Hospital), that no repayments will be demanded regarding the Group’s outstanding dues amounting to RMB47,382,000 and RMB19,603,000 in the coming twelve months from August 10, 2022.

- ii. The Group is also actively negotiating with several existing banks and financial institutions on the potential new financing arrangements to replace part of or entire existing convertible bonds. Based on the good long-term business relationship between the Group and its major cooperative banks and financial institutions, the Group is confident that it will complete new financing arrangements when it becomes necessary.

Together with the Group has undrawn facility from the bank facility agreements amounting to RMB585,570,000 as at June 30, 2022, the directors of the Company reviewed the Group's cash flow projections which cover a period of not less than twelve months from June 30, 2022, and have a reasonable expectation that the Group will have sufficient liquidity to meet its financial obligations that will be due in the coming twelve months from June 30, 2022. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

## **2. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments are measured at fair values at the end of each reporting period, as appropriate.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRS Standards"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2022 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2021.

### **Application of amendments to IFRS Standards**

In the current interim period, the Group has applied the following amendments to IFRSs Standards issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on January 1, 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020

Except as described below, the application of the amendments to IFRS Standards in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.



## **Impacts and changes in accounting policies on application of Amendments to IFRS 3 Reference to the Conceptual Framework**

For business combinations in which the acquisition date is on or after January 1, 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting issued by International Accounting Standards Board in March 2018 (the “Conceptual Framework”) except for transactions and events within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

The Group applies the amendments to business combinations for which the acquisition date is on or after January 1, 2022. The application of the amendments in the current period had no impact on the condensed consolidated financial statements.

### **3. REVENUE AND SEGMENT INFORMATION**

Revenue represents the net amounts received and receivable for assisted reproductive services, management services, ambulatory surgery centre facilities services, ancillary medical services, obstetrics, gynecology and pediatrics medical service, and sales of medicines, consumables and equipment, net of discounts.

During the six months ended June 30, 2022, the Group’s revenue is contributed from its operations in Chengdu, Shenzhen, Wuhan, the United States of America (the “U.S.A.”) and Hong Kong special administrative region (“Hong Kong”) (Six months ended June 30, 2021: Chengdu, Shenzhen, Wuhan and the U.S.A.). The Group has new operations in Hong Kong and Chengdu during the second half of 2021 as a result from acquisition of Jinxin Women Wellness Limited and its subsidiaries and acquisition of JINXIN Medical Management (BVI) Group Limited and its subsidiaries (collectively referred to as the “Jinxin Medical Group”).

As at June 30, 2022, the Group’s operation in Lao People’s Democratic Republic (“Laos”) is at start-up stage and not yet generated any income.

The Group’s operating and reportable segments under IFRS 8 Operating Segment, are operations located in the Mainland China and Hong Kong (“Greater China”), and the U.S.A. during the six months ended June 30, 2022 and 2021. The revenue generated by each of the operating segments is mainly derived from revenue from provision of assisted reproductive services and related services, and management services. The following is an analysis of the Group’s revenue and results by reportable segment.

For the six months ended June 30, 2022:

	<b>Greater China</b> <i>RMB'000</i>	<b>U.S.A.</b> <i>RMB'000</i>	<b>Consolidated</b> <i>RMB'000</i>
Revenue			
Segment revenue from external customers	<u>899,906</u>	<u>238,322</u>	<u>1,138,228</u>
Segment profit	<u>258,119</u>	<u>5,482</u>	263,601
Unallocated administrative expenses			(31,968)
Share-based compensation benefits			(18,056)
Gain on fair value changes of investments in preferred shares measured at FVTPL			277
Certain loss on fair value change of financial assets at FVTPL			(13,505)
Certain gain on fair value change of other financial assets at FVTPL			1,646
Gain on fair value change of other financial liabilities at FVTPL			3,501
Exchange gain, net			19,742
Certain interest income from banks			730
Interest income from pledged bank deposits			1,813
Certain interest income from time deposits			7,114
Share of result of associates			(1,235)
Profit before taxation			<u>233,660</u>

For the six months ended June 30, 2021:

	<b>Greater China</b> <i>RMB'000</i>	<b>U.S.A.</b> <i>RMB'000</i>	<b>Consolidated</b> <i>RMB'000</i>
Revenue			
Segment revenue from external customers	<u>641,343</u>	<u>217,960</u>	<u>859,303</u>
Segment profit	<u>223,310</u>	<u>41,789</u>	265,099
Unallocated administrative expenses			(26,278)
Share-based compensation benefits			(52,318)
Loss on fair value change of investments in preferred shares measured at FVTPL			(3,279)
Loss on fair value change of other financial liabilities at FVTPL			(2,845)
Exchange gain, net			16,160
Certain interest income from banks			2,927
Interest income from pledged bank deposits			1,958
Certain interest income from time deposits			8,908
Share of result of associates			(3,545)
Profit before taxation			<u>206,787</u>

## Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	As at <b>June 30,</b> <b>2022</b> <i>RMB'000</i> <b>(unaudited)</b>	As at December 31, 2021 <i>RMB'000</i> (audited)
<b>Segment assets</b>		
Greater China	<b>10,195,682</b>	7,382,524
U.S.A.	<b>4,123,852</b>	3,918,470
	<hr/>	<hr/>
Total segment assets	<b>14,319,534</b>	11,300,994
Equity instrument at FVTOCI	<b>4,558</b>	5,279
Corporate time deposits	<b>67,114</b>	826,959
Corporate bank balances and cash	<b>155,812</b>	71,415
Pledged bank deposits	<b>180,000</b>	180,000
Investments in preferred shares measured at FVTPL	<b>179,164</b>	169,930
Financial assets at FVTPL	<b>53,239</b>	177,747
Unallocated corporate assets and others	<b>125,142</b>	93,066
	<hr/>	<hr/>
Total	<b>15,084,563</b>	12,825,390
	<hr/> <hr/>	<hr/> <hr/>
<b>Segment liabilities</b>		
Greater China	<b>1,680,895</b>	1,381,690
U.S.A.	<b>897,484</b>	809,314
	<hr/>	<hr/>
Total segment liabilities	<b>2,578,379</b>	2,191,004
Convertible bonds	<b>1,563,935</b>	1,492,932
Dividend payables	<b>152,539</b>	–
Corporate bank borrowings	<b>1,991,239</b>	–
Consideration payable for acquisition of Jinxin Medical Group	–	302,518
Unallocated corporate liabilities and others	<b>75,494</b>	86,235
	<hr/>	<hr/>
Total	<b>6,361,586</b>	4,072,689
	<hr/> <hr/>	<hr/> <hr/>

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to operating segments, other than equity instrument at FVTOCI, corporate time deposits, corporate bank balances and cash, pledged bank deposits, investments in preferred shares measured at FVTPL, financial assets at FVTPL and other unallocated corporate assets and others; and
- All liabilities are allocated to operating segments, other than convertible bonds, dividend payables, corporate bank borrowings, consideration payable for acquisition of Jinxin Medical Group and unallocated corporate liabilities and others.

### Revenue from major services

	<b>Six months ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Types of services</b>		
Assisted reproductive services – Greater China		
A point in time recognition	<b>314,403</b>	352,106
Over time recognition	<b>204,232</b>	227,158
	<b>518,635</b>	579,264
Management services – Over time recognition		
– U.S.A.	<b>200,335</b>	200,507
– Greater China	<b>87,509</b>	35,993
	<b>287,844</b>	236,500
Ambulatory surgery centre facilities services – U.S.A.		
– A point in time recognition	<b>34,555</b>	14,253
Ancillary medical services – A point in time recognition		
– U.S.A.	<b>3,432</b>	3,200
– Greater China	<b>27,811</b>	16,357
	<b>31,243</b>	19,557
Ancillary medical services – Greater China		
Over time recognition	<b>7,226</b>	9,729
	<b>38,469</b>	29,286
Obstetrics, gynecology and pediatrics medical services		
– Greater China		
A point in time recognition	<b>124,885</b>	–
Over time recognition	<b>76,670</b>	–
	<b>201,555</b>	–
Sales of medicines, consumables and equipment		
– Greater China	<b>57,170</b>	–
Total	<b>1,138,228</b>	859,303

## Geographical information

On June 30, 2022, the non-current assets located in the Greater China, the U.S.A., and Laos amounted to RMB8,564,753,000, RMB4,024,039,000, and RMB52,774,000, respectively (December 31, 2021: RMB5,797,857,000, RMB3,785,893,000, and RMB53,345,000, respectively). Non-current assets as at June 30, 2022 and December 31, 2021 excluded equity instrument at FVTOCI, loan receivable, financial assets at FVTPL, pledged bank deposits, refundable deposits, deferred tax assets, amounts due from associates and amounts due from other related parties.

## Information about major customers

Revenue from customers of the corresponding periods contributing over 10% of the total sales of the Group are as follows:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Huntington Reproductive Center Medical Group ("HRC Medical")	<u>190,496</u>	<u>205,194</u>

## 4. OTHER INCOME

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest income from pledged bank deposits	1,813	1,958
Interest income from time deposits	7,290	9,013
Interest income from bank balances	5,584	4,420
Government grants ( <i>Note i</i> )	4,996	1,874
Others	7,749	4,534
	<u>27,432</u>	<u>21,799</u>

*Note:*

- (i) The government grants mainly represent amounts received by 四川錦欣婦女兒童醫院有限公司 (Sichuan Jinxin Women and Children Hospital Co., Ltd., "Jinxin Women and Children Hospital"), a subsidiary of the Group, for its newly granted Class Three Grade A qualification as private hospitals and the grants on cost incurred for research and development projects of Shenzhen Zhongshan Hospital with no unfulfilled conditions. (2021: the grants on cost incurred for research and development projects of Shenzhen Zhongshan Hospital with no unfulfilled conditions).

## 5. OTHER GAINS AND LOSSES, NET

	Six months ended June 30,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Loss on fair value change of financial assets at FVTPL	(5,526)	–
Gain on fair value change of other financial assets at FVTPL	4,824	1,607
Exchange gain, net	19,742	16,160
Gain on early termination of leases	283	–
Gain (loss) on fair value changes of investments in preferred shares measured at FVTPL	277	(3,279)
Gain (loss) on fair value change of other financial liabilities at FVTPL	3,501	(2,845)
Net loss on a life insurance policy	(380)	–
Gain (loss) on disposal of property, plant and equipment	101	(19)
Others	918	(846)
	<hr/>	<hr/>
Total	<b>23,740</b>	<b>10,778</b>

## 6. FINANCE COSTS

	Six months ended June 30,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest on bank borrowings	20,805	2,742
Interest on convertible bonds	2,273	–
Interest on lease liabilities	9,916	6,103
	<hr/>	<hr/>
	<b>32,994</b>	<b>8,845</b>

## 7. PROFIT BEFORE TAXATION

	<b>Six months ended June 30,</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Profit before taxation has been arrived at after charging:		
Cost of inventories recognised as expenses (representing pharmaceutical products and consumables used and sold, included in cost of revenue)	<b>306,741</b>	202,143
Share-based compensation benefits	<b>18,056</b>	52,318
Amortisation of licenses (included in administrative expenses)	<b>17,364</b>	11,330
Amortisation of non-compete agreement (included in administrative expenses)	<b>671</b>	–
Depreciation of property, plant and equipment	<b>63,469</b>	35,372
Depreciation of right-of-use assets	<b>36,978</b>	20,229
	<b><u>306,741</u></b>	<b><u>202,143</u></b>

## 8. INCOME TAX EXPENSES

	<b>Six months ended June 30,</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Current tax:		
PRC Enterprise Income Tax (“EIT”)	<b>47,612</b>	39,951
Hong Kong Profits Tax	<b>1,744</b>	–
California State Income Tax	<b>230</b>	21
	<b><u>49,586</u></b>	<u>39,972</u>
Deferred tax:		
Current period	<b>(3,523)</b>	4,184
	<b><u>46,063</u></b>	<b><u>44,156</u></b>

The Company is tax exempted under the laws of the Cayman Islands and its subsidiaries incorporated in the British Virgin Islands (“BVI”) are also tax exempted under the laws of the BVI from a BVI tax perspective.

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the six months ended June 30, 2022 (2021: N/A).

Certain subsidiaries of the Company are subject to U.S.A. corporate tax representing 21% of the applicable U.S.A. Federal Income Tax rate (2021: 21%) and an average of 8.84% for California State Income Tax rate for the six months ended June 30, 2022 (2021: 8.84%) for their operations in the U.S.A. There was no assessable profit that was subject to U.S.A. Federal Income Tax during the six months ended June 30, 2022 and 2021.

Under the Law of the PRC on Enterprise Income Tax (“EIT Law”) and implementation regulations of the EIT Law, the statutory EIT rate of subsidiaries of the Group operating in the PRC is 25%, except for certain subsidiaries that are engaged in “the Encouraged Industries in the Western Region” and eligible for the preferential EIT rate at 15%. The Company’s subsidiaries that are tax residents in the PRC are subject to the PRC dividend withholding tax of 10% for the non-PRC tax resident immediate holding company established in Hong Kong, when and if undistributed earnings are declared to be paid as dividends out of profits that arose on or after January 1, 2008.

## 9. DIVIDENDS

A final cash dividend in respect of the year ended December 31, 2021 of HK7.38 cents (equivalent to RMB6 cents) per ordinary share, in an aggregate amount of RMB150,000,000 (2021: Nil), has been proposed by the directors of the Company and approved by the shareholders in the annual general meeting held on June 28, 2022.

During the six months ended June 30, 2021, no dividend were paid, declared or proposed to owners of the Company.

The directors of the Company do not recommend the payment of any interim dividend for the six months ended June 30, 2022 (Six months ended June 30, 2021: Nil).

## 10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	<b>Six months ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB’000</b>	<b>RMB’000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	<b>190,149</b>	155,648
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	<b>2,273</b>	–
Exchange gain on convertible bonds	<b>(12,139)</b>	–
Earnings for the purpose of diluted earnings per share (profit for the period attributable to owners of the Company)	<b><u>180,283</u></b>	<b><u>155,648</u></b>



	<b>Six months ended June 30,</b>	
	<b>2022</b>	2021
	<b>(unaudited)</b>	(unaudited)
<b>Number of shares</b>		
Weighted average number of shares for the purpose of basic earnings per share	<b>2,487,932,947</b>	2,467,266,749
Effect of dilutive potential ordinary shares:		
Restricted Shares Units issued by the Company	<b>6,805,070</b>	13,535,065
Convertible bonds issued by the Company	<b>120,980,400</b>	–
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b><u>2,615,718,417</u></b>	<b><u>2,480,801,814</u></b>

For the six months ended June 30, 2022, the weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share has been adjusted for the effect of assumption of the conversion of all potential dilutive ordinary shares arising from restricted shares and the conversion of the Company's outstanding convertible bonds (2021: the weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share has been adjusted for the effect of assumption of the conversion of all potential dilutive ordinary shares arising from restricted shares).

For the six months ended June 30, 2022, the weighted average number of ordinary shares for the purpose of calculation of basic earnings per share has been adjusted for the effect of ordinary shares held by the nominee under the RSU Scheme by the RSU Scheme's Nominee. (2021: the weighted average number of ordinary shares for the purpose of calculation of basic earnings per share has been adjusted for the effect of ordinary shares held by the nominee under the RSU Scheme by the RSU Scheme's Nominee and the effect of ordinary shares issued and purchased by the Company).

## 11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group disposed of certain plant and machinery with an aggregate carrying amount of RMB53,000 (June 30, 2021: RMB26,000) for proceeds of RMB154,000 (June 30, 2021: RMB7,000), resulting in a gain on disposal of RMB101,000 (June 30, 2021: loss on disposal of RMB19,000).

On February 4, 2022, 海南三亞錦舒企業管理有限公司 (Hainan Sanya Jinshu Enterprise Management Co., Ltd), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with certain independent third-party individuals to purchase their equity interests in 深圳市恒裕聯翔投資發展有限公司 (Shenzhen Hengyu Lianxiang Investment Development Co., Ltd, “Shenzhen Hengyu”) at cash consideration of approximately RMB37,234,000. The industrial research and development building located in Shenzhen is now under construction and amounting to RMB1,559,590,000 at the date of acquisition. Property, plant and equipment amounting to RMB1,386,871,000 and right-of-use assets amounting to RMB172,719,000 have been acquired by the Group. The total investment amounts of the industrial research and development building is estimated to be approximately RMB1,727,063,000 upon completion. The acquisition has been accounted for as assets acquisition and completed on May 25, 2022. The industrial research and development building will be used for the provision of medical services by Shenzhen Zhongshan Hospital. For more details of the transaction, please refer to the Company's announcements dated February 4, 2022 and February 15, 2022.

During the current interim period, the Group paid approximately RMB1,123,656,000 (June 30, 2021: RMB23,599,000) for acquisition of property, plant and equipment to expand and upgrade certain fixed assets and hospital premises primarily in the PRC, Laos and the U.S.A. The cash payments of property, plant and equipment include above consideration of property, plant and equipment.

During the current interim period, the Group entered into four new lease agreements of buildings for the use of various buildings for 60 months, 83 months, 87 months, 126 months respectively (Six months ended June 30, 2021: two new lease agreements of buildings for 120 months and 144 months) and acquired one lease of land use right (Six months ended June 30, 2021: Nil). The lease term of the land use right is from December 1, 2018 to November 30, 2068. On lease commencement, the Group recognised approximately RMB209,422,000 (Six months ended June 30, 2021: RMB30,644,000) of right-of-use assets and approximately RMB36,703,000 (Six months ended June 30, 2021: RMB30,644,000) lease liabilities.

## 12. AMOUNTS DUE FROM OTHER RELATED PARTIES/AMOUNTS DUE TO RELATED PARTIES

### Amounts due from other related parties

	As at June 30, 2022 RMB'000 (unaudited)	As at December 31, 2021 RMB'000 (audited)
<b>Trade in nature</b>		
HRC Medical ( <i>Note i</i> )	99,578	106,644
成都市錦江區婦幼保健院 (Jinjiang District Maternity and Child Health Hospital) ( <i>Note ii &amp; viii</i> )*	80,807	93,738
成都錦欣潤怡醫療管理有限公司 (Chengdu Jinxin Runyi Medical Management Co., Ltd) ( <i>Note ii &amp; iii</i> )*	33,285	41,677
成都和雋科技有限公司 (Chengdu Hejun Technology Company Limited) ( <i>Note ii &amp; viii</i> )*	5,118	—
內江錦欣婦產醫院有限公司 (Neijiang Jinxin Maternity Hospital) ( <i>Note ii &amp; viii</i> )*	3,823	4,767
成都市錦江區東大社區衛生服務中心 (Chengdu Jinjiang District Dongda Community Health Service Center) ( <i>Note ii &amp; viii</i> )*	2,072	1,983
成都錦欣婦產科醫院有限公司 (Chengdu Jinxin Obstetrics and Gynaecology Hospital) ( <i>Note ii &amp; viii</i> )*	1,778	647
瀘州錦欣婦產醫院有限公司 (Luzhou Jinxin Women and Children Hospital) ( <i>Note ii &amp; viii</i> )*	995	210
成都市錦江區龍舟路社區衛生服務中心 (Chengdu Jinjiang District Longzhou Road Community Health Service Center) ( <i>Note ii &amp; viii</i> )*	946	940
成都市錦江區蓮新社區衛生服務中心 (Chengdu Jinjiang District Lianxin Community Health Service Center) ( <i>Note ii &amp; viii</i> )*	834	788
成都市錦江區成龍路錦城逸景社區衛生服務中心 (Chengdu Jinjiang District Chenglong Road Jincheng Yijing Community Health Service Center) ( <i>Note ii &amp; viii</i> )*	641	568
成都高新錦欣艾嘉綜合門診部有限公司 (Chengdu Gaoxin Jinxin Aijia General Outpatient Department) ( <i>Note ii &amp; viii</i> )*	538	78
成都錦欣橘米健康管理有限公司 (Chengdu Jinxin Jumi Health Management Co., Ltd) ( <i>Note ii &amp; viii</i> )*	174	123
成都錦欣沙河堡醫院有限責任公司 (Chengdu Jinxin Shahebao Hospital) ( <i>Note ii &amp; viii</i> )*	154	135
成都喜馬拉雅藏醫醫院有限公司 (Chengdu Himalayan Tibetan medical hospital Co., Ltd) ( <i>Note ii &amp; viii</i> )*	129	26
成都錦欣精神病醫院有限公司 (Chengdu Jinxin Psychiatric Hospital Company Limited “Jinxin Psychiatric”) ( <i>Note ii &amp; viii</i> )*	112	14

	As at June 30, 2022 RMB'000 (unaudited)	As at December 31, 2021 RMB'000 (audited)
<b>Trade in nature — continued</b>		
成都龍泉驛區錦欣慢性病醫院有限公司 (Chengdu Longquanyi Jinxin Chronic Disease Hospital) (Note ii & viii)*	68	38
成都高新櫻桃優孕診所有限公司 Chengdu Gaoxin Cherry Youyun Clinic Co., Ltd. (Note iv & viii)*	43	—
成都錦欣生殖醫學與遺傳研究所 (Chengdu Jinxin Institute of Reproductive Medicine and Genetics) (Note ii & viii)*	33	1
成都錦欣老年病醫院有限公司 (Chengdu Jinxin Geriatric Hospital) (Note ii & viii)*	20	8
成都高新後美醫療美容醫院有限公司 (Chengdu High Tech Houmei Medical Cosmetic Hospital) (Note ii & viii)*	4	10
成都青羊橋米診所有限公司 (Chengdu Qingyang Jumi Clinic) (Note ii & viii)*	2	2
成都錦欣中醫醫院有限公司 (Chengdu Jinxin Traditional Chinese Medicine Hospital) (Note ii & viii)*	2	—
	<b>231,156</b>	<b>252,397</b>
<b>Non-trade in nature</b>		
<b>Loan receivables:</b>		
成都錦霖企業管理有限公司 (Chengdu Jinlin Enterprise Management Co., Ltd) (Note ii & v)*	28,417	29,587
Chengdu Jinxin Medical Investment Management Group Co., Ltd. (“Chengdu JinXin Investment”)	—	91,398
成都錦薈科技有限公司 (Chengdu Jinhui Technology Co., Ltd) (Note vi)*	—	52,136
<b>Other receivables:</b>		
成都錦欣生殖醫學與遺傳研究所 (Chengdu Jinxin Institute of Reproductive Medicine and Genetics) (Note ii & ix)*	27,962	24,624
成都市錦江區婦幼保健院 (Jinjiang District Maternity and Child Health Hospital) (Note ii & ix)*	12,412	—
KangSeed (Note vii)	10,989	10,338
成都錦欣信息科技有限公司 (Chengdu Jinxin Information Technology Co., Ltd) (Note iv & ix)*	2,185	2,102
成都錦欣博悅生物科技有限公司 (Chengdu Jinxin Boyue Biotechnology Co., Ltd.) (Note ii & ix)*	368	5,900
Jinxin Medical Investment Group Limited (Note ii & ix)	352	308
Jinxin Hospital Management (Cayman) Company Limited (Note ii & ix)	239	228

	As at <b>June 30,</b> <b>2022</b> <i>RMB'000</i> (unaudited)	As at December 31, 2021 <i>RMB'000</i> (audited)
成都高新西囡婦科醫院有限公司 (Chengdu High Tech Xinan Gynecological Hospital) (Note ii & ix) *	29	29
成都錦欣潤怡醫療管理有限公司 (Chengdu Jinxin Runyi Medical Management Co., Ltd) (Note ii & ix)*	—	9,596
北京錦醫科技有限公司 (Beijing Jinyi Technology Co., Ltd) (Note iv & ix)*	—	3,000
Jinxin Medical Innovation Research Center (Note vi)	—	1,058
成都錦欣卓越口腔醫院管理有限公司 (Chengdu Jinxin Excellent Stomatological Hospital Management Co., Ltd) (Note ii & ix)*	—	150
瀘州錦欣婦產醫院有限公司 (Luzhou Jinxin Women and Children Hospital) (Note ii & ix)*	—	76
Total	<u>82,953</u>	<u>230,530</u>
	<u><b>314,109</b></u>	<u><b>482,927</b></u>

The following is a liquidity analysis of amounts due from other related parties based on managements' estimation on the repayment schedule.

	At <b>June, 30</b> <b>2022</b> <i>RMB'000</i> (unaudited)	At December, 31 2021 <i>RMB'000</i> (audited)
Analysed as:		
Current	303,120	420,453
Non-current**	10,989	62,474
Total	<u>314,109</u>	<u>482,927</u>

Notes:

\* The English names of these entities registered in the PRC represent the best efforts made by the directors to directly translate their Chinese names as they did not register any official English names.

\*\* The amounts due from KangSeed is classified as non-current. The amount is non-trade in nature.

- (i) The related party is jointly controlled by certain shareholders of HRC Investment Holding, LLC (“HRC Investment”). The amount represents receivables from HRC Medical in relation to management services provided in accordance with the management services agreement. The amount is unsecured and interest-free. The trade balance at June, 30 2022 based on invoice date is aged within 90 days (December 31, 2021: 30 days) and not past due nor impaired.
- (ii) These related parties and Chengdu Jinxin Investment have the same beneficial shareholders with the Company.
- (iii) The amount represents receivable from Chengdu Jinxin Runyi Medical Management Co., Ltd in relation to management services provided in accordance with the IVF specialty collaboration agreements. The Group allows a credit period of within 365 days to Chengdu Jinxin Runyi Medical Management Co., Ltd.
- (iv) The entity is a subsidiary of the Company’s joint venture.
- (v) The amount of RMB28,417,000 (2021:RMB29,587,000) due from Chengdu Jinlin Enterprise Management Co., Ltd. is unsecured, interest-free, and repayable on demand after six months from the date of loan agreement.
- (vi) As a subsidiary of Chengdu Jinxin Investment, the entity was acquired by the Group in January 2022 and ceased to be the related party to the Group.
- (vii) The related party is an associate of the Company. The amount is unsecured, interest-free and repayable on demand.
- (viii) The balances were all aged within 365 days (2021: 180 days) at the end of the reporting period.
- (ix) The amounts are unsecured, interest-free and repayable on demand.

The following is an aged analysis of amounts due from other related parties which are trade in nature presented based on the invoice date at the end of the reporting period.

	<b>As at June, 30 2022 RMB’000 (unaudited)</b>	<b>As at December, 31 2021 RMB’000 (audited)</b>
Within 90 days	<b>175,582</b>	200,193
91 to 180 days	<b>9,161</b>	51,214
Over 180 days	<b>46,413</b>	990
	<b><u>231,156</u></b>	<b><u>252,397</u></b>

## Amounts due to related parties

	As at June, 30 2022 RMB'000 (unaudited)	As at December, 31 2021 RMB'000 (audited)
<b>Trade in nature</b>		
成都錦樂企業管理有限公司 (Chengdu Jinshen Enterprise Management Co., Ltd) (Note i)*	11,310	640
四川省邁可多醫療用品有限公司 Sichuan Mocodo Medical Products Co., Ltd) (Note i)*	6,424	780
四川程欣物業管理有限公司 (Sichuan Chengxin Property Management Company Limited) (Note i)*	3,023	2,671
成都和雋科技有限公司 (Chengdu Hejun Technology Company Limited) (Note i)*	1,120	4,411
成都同沁餐飲管理有限公司 (Chengdu Tongqin Catering Management Co., Ltd) (Note i)*	247	247
成都市錦江區婦幼保健院 (Jinjiang District Maternity and Child Health Hospital) (Note i)*	120	334
成都高新錦欣艾嘉綜合門診部有限公司 (Chengdu Gaoxin Jinxin Aijia General Outpatient Department) (Note i)*	99	25
成都錦欣精神病醫院有限公司 (Jinxin Psychiatric) (Note i)*	—	117
	<u>22,343</u>	<u>9,225</u>
<b>Non-trade in nature</b>		
KangSeed (Note ii)	47,382	45,012
成都市錦江區婦幼保健院 (Jinjiang District Maternity and Child Health Hospital) (Note i & vi) *	19,603	24,059
Dr. Chan Chi Wai (Note iii)	9,307	17,910
Chengdu Jinxin Investment (Note iv)	7,890	8,616
四川省邁可多醫療用品有限公司 (Sichuan Mocodo Medical Products Co., Ltd) (Note i & vi)*	3,510	3,000
成都和雋科技有限公司 (Chengdu Hejun Technology Company Limited) (Note i & vi)*	2,272	—
Jinxin Hospital Management (Cayman) Company Limited (Note v)	—	302,518
成都市第一精神衛生防治院 (Chengdu First Institute of Mental Health Prevention and Control) (Note i & vi)*	—	1,800
Prof. Tham Chee Yung (Note iii)	—	1,236
成都錦欣橘米健康管理有限公司 (Chengdu Jinxin Jumi Health Management Co., Ltd) (Note i & vi)*	—	703
Ms. Chan Ying Chi (Note iii)	—	570
Dr. Yu Congyi (Note iii)	—	475
成都同沁餐飲管理有限公司 (Chengdu Tongqin Catering Management Co., Ltd) (Note i & vi)*	—	15
	<u>89,964</u>	<u>405,914</u>
	<u><b>112,307</b></u>	<u><b>415,139</b></u>

*Notes:*

- (i) These related parties are controlled by Chengdu Jinxin Investment.
- (ii) The related party is an associate of the Company. The amount represents the consideration payable upon acquisition of the associate.
- (iii) The related parties are shareholders of a subsidiary. The amounts are unsecured, interest-free and repayable on demand.
- (iv) The amounts as at June, 30 2022 and December, 31 2021 are unsecured, interest-free and repayable on demand.
- (v) The related party and Chengdu Jinxin Investment have the same beneficial shareholders with the Company.
- (vi) The amounts are unsecured, interest-free and repayable on demand.

The following is an aged analysis of amounts due to related parties which are trade in nature presented based on the invoice date at the end of the reporting period.

	<b>As at June, 30 2022 RMB'000 (unaudited)</b>	<b>As at December, 31, 2021 RMB'000 (audited)</b>
Within 90 days	<b>20,549</b>	8,585
91 to 180 days	<b>371</b>	640
Over 180 days	<b>1,423</b>	—
	<b><u>22,343</u></b>	<b><u>9,225</u></b>



### 13. ACCOUNTS AND OTHER RECEIVABLES

	As at June 30, 2022 RMB'000 (unaudited)	As at December 31, 2021 RMB'000 (audited)
Accounts receivables	75,153	64,330
Other receivables and prepayments:		
Prepayments on acquisitions of equity interests ( <i>Note i</i> )	1,039,081	19,127
Prepayments to suppliers	78,517	79,408
Interest receivables	3,536	2,644
Loan receivables	24,636	23,153
Others	29,691	18,514
	<u>1,250,614</u>	<u>207,176</u>
Less: Loan receivable classified as non-current assets ( <i>Note ii</i> )	18,222	17,074
Prepayments classified as non-current assets	1,065,790	47,417
	<u>166,602</u>	<u>142,685</u>

*Notes:*

- (i) On April 21, 2022, the Group entered into a sale and purchase agreement with 天津濱海遠欣股權投資中心(有限合夥) (Tianjin Binhai Yuanxin Equity Investment Center (Limited Partnership), “Binhai Yuanxin”) in relation to the acquisitions of 90% equity interests in 廣東康芝醫院管理有限公司 (Guangdong Kangzhi Hospital Management Co., Ltd “Kangzhi Hospital”), 89.7959% equity interests in 廣州雲芝彩科技有限公司 (Guangzhou Yunzhicai Technology Co., Ltd “Guangzhou Yunzhicai”) and 89.7959% equity interests in 廣州和家管理諮詢有限公司 (Guangzhou Hejia Management Consulting Co., Ltd “Guangzhou Hejia”). The amount of RMB886,489,000 is paid by the Group to the vendors as at June 30, 2022 and the transaction was completed on July 13, 2022. Binhai Yuanxin has disposed the remaining 10.2041% equity interests in Guangzhou Yunzhicai and Guangzhou Hejia to certain independent third parties pursuant to a separate equity transfer agreement entered into between them subsequent to June 30, 2022. For details of the transaction, please refer to the Company’s announcement dated April 21, 2022, June 2, 2022 and July 13, 2022.

In addition, the Group entered into an equity transfer agreement to acquire 5.46% equity interests in Shenzhen Zhongshan Hospital from its non-controlling shareholder. As at June 30, 2022, RMB132,458,000 is paid to the Group’s non-controlling shareholder. The transaction was completed on August 25, 2022. For details of the transaction, please refer to the Company’s announcement dated April 13, 2022 and August 26, 2022.

- (ii) The amount is unsecured, interest-free, repayable on August 13, 2023. The amount is therefore classified as non-current assets in the condensed consolidated statement of financial position.

The individual customers of Chengdu Xinan Gynecological Hospital Co., Ltd (“Chengdu Xinan Hospital”), Shenzhen Zhongshan Hospital, Wuhan Jinxin Integrated Gynecology and Obstetrics Hospital Co., Ltd (“Wuhan Jinxin Hospital”), Hong Kong Assisted Reproduction Centre Ltd (“HK ARC”), Hong Kong Reproductive Health Centre Ltd (“HK RHC”) and Jinxin Women and Children Hospital would usually settle payments by cash, credit cards, debit cards or governments’ social insurance schemes. Payments by governments’ social insurance schemes will normally be settled by the local social insurance bureau and similar government departments which are responsible for the reimbursement of medical expenses for patients who are covered by the government medical insurance schemes from 30 to 90 days from the transaction date.

The individual customers of ambulatory surgery centre facilities services in the U.S.A. would usually settle by cash or payments through insurance schemes. Payments by insurance schemes will normally be settled by commercial insurance companies from 60 to 365 days from the transaction date.

The corporate customers of Chengdu Xinan Hospital usually settle by cash and the payment terms are normally from 60 to 180 days from the transaction date.

The accounts receivables are assessed individually for impairment allowance based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors general economic conditions and an assessment of both the current as well as the forward looking information at the reporting date.

The basis of determining the inputs and assumptions and the estimation techniques used in the unaudited condensed interim consolidated financial statements for the six months ended June 30, 2022 for assessment of expected credit loss (“ECL”) are the same as those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2021.

The credit risk of credit card receivable is limited because majority of the counterparties are mainly state-owned or public listed commercial banks which are high-credit quality financial institutions located in the PRC.

The directors of the Company are in the view that there have been no significant increase in credit risk of default because the amounts are from local social insurance bureau, similar government departments, insurance companies with good credit rating and continuous repayment or the corporate customers which have long-term stable relationships with the Company. The directors of the Company considered that the ECL for accounts receivables is insignificant as at June 30, 2022 and December 31, 2021.

In determining the recoverability of trade receivables, the directors of the Company consider any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

The following is an aged analysis of accounts receivables, presented based on the invoice date at the end of the reporting period.

	<b>As at June 30, 2022 RMB'000 (unaudited)</b>	<b>As at December 31, 2021 RMB'000 (audited)</b>
Within 90 days	<b>22,419</b>	47,873
91 to 180 days	<b>27,445</b>	12,360
Over 180 days	<b>25,289</b>	4,097
	<b><u>75,153</u></b>	<b><u>64,330</u></b>

#### **14. OTHER FINANCIAL ASSETS AT FVTPL**

The balances represent wealth management products amounted RMB200,441,000, and a foreign currency forward contract amounted to RMB2,631,000.

The wealth management is issued by financial institutions subscribed by the Group with no guaranteed principal and return, while the total expected return is up to 3.85% per annum for the six months ended June, 30 2022 (December, 31 2021: up to 3.85% per annum) depending on the performance of the underlying financial investments. The wealth management products are with a maturity period 90 to 98 days, or can be redeemable on demand (December, 31 2021: a maturity period of 35 days to 98 days, or can be redeemable on demand). The wealth management products are classified as financial assets at FVTPL on initial recognition.

## 15. ACCOUNTS AND OTHER PAYABLES

	As at June 30, 2022 RMB'000 (unaudited)	As at December 31, 2021 RMB'000 (audited)
Accounts payables	<u>187,536</u>	<u>147,357</u>
Other payables:		
Consideration payable for acquisition of Shenzhen Hengyu	37,234	–
Consideration payable for investment in financial assets at FVTPL ( <i>Note i</i> )	3,774	18,482
Construction payables	72,567	5,923
Loan payables ( <i>Note ii</i> )	291,011	–
Dividend payable ( <i>Note 9</i> )	152,539	–
Refundable customers' deposits	101,433	93,992
Accrued employee expenses ( <i>Note iii</i> )	93,750	138,606
Value-added tax and other tax payables	23,964	17,986
Interest payables	7,596	1,214
Deferred income ( <i>Note iv</i> )	3,847	4,140
Others	<u>32,956</u>	<u>17,818</u>
	<u>820,671</u>	<u>298,161</u>
Total accounts and other payables	<u><u>1,008,207</u></u>	<u><u>445,518</u></u>
Less: Loan payables as non-current liabilities ( <i>Note ii</i> )	<u>100,435</u>	–
Total accounts and other payables as current liabilities	<u><u>907,772</u></u>	<u><u>445,518</u></u>

### Notes:

- (i) The amount represents consideration payable in relation to investments in financial assets at FVTPL.
- (ii) The amounts represent loan payables to the former shareholders of Shenzhen Hengyu as disclosed in Note 11 to the condensed consolidated financial statements. The amount of RMB100,435,000 is expected to be paid after one year according to the equity transfer agreement.
- (iii) The amount represents accrued expenses related to employees' salaries, welfare benefits, social insurances, housing fund contributions, etc.
- (iv) The amount mainly represents government grants received for research and development projects but with conditions not yet fulfilled.

The credit period of accounts payables is from 30 to 90 days from the invoice date.

The following is an aged analysis of accounts payables presented based on the invoice date at the end of the reporting period.

	<b>As at June 30, 2022 RMB'000 (unaudited)</b>	As at December 31, 2021 RMB'000 (audited)
Within 90 days	<b>159,250</b>	139,017
91 to 180 days	<b>17,432</b>	6,539
181 to 365 days	<b>10,209</b>	168
Over 365 days	<b>645</b>	1,633
	<b><u>187,536</u></b>	<b><u>147,357</u></b>

## 16. BANK BORROWINGS

	<b>As at June 30, 2022 RMB'000 (unaudited)</b>	As at December 31, 2021 RMB'000 (audited)
Bank borrowings-secured	<b><u>2,135,239</u></b>	<u>163,746</u>
The carrying amounts of the above borrowing are repayable:		
Within one year	<b>45,000</b>	37,746
Within a period of more than one year but not exceeding two years	<b>351,150</b>	54,000
Within a period of more than two years but not exceeding three years	<b><u>1,739,089</u></b>	<u>72,000</u>
	<b><u>2,135,239</u></b>	<b><u>163,746</u></b>

On December 28, 2021, the Company obtained syndicated bank facility amounted to US\$300,000,000 (equivalent to approximately RMB2,013,420,000). Credit Suisse AG Singapore branch and China CITIC Bank International Limited acted as mandated lead arrangers and bookrunners of the syndicated bank facility. During the current interim period, the Company drew down the bank facility to its full amount. The loans carry interest at variable market rates of London Inter-bank Offered Rate plus a fixed interest of 2.2% and are repayable by instalments of 15%, 20% and 65% of the principal upon 24, 30 and 36 months of the utilisation date.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS UPDATES

In the first half of 2022, the COVID-19 pandemic continued to disrupt the recovery of the global economy and our assisted reproductive business was moderately affected when pandemic prevention and control measures were put in place to contain the COVID-19 outbreak. The Company actively responded and established effective measures in facing the challenges brought by the pandemic which achieved a relatively satisfactory outcome. The Group's revenue and net profit attributable to the owners of the Group increased by 32.5% and 22.2% in the first half of 2022, respectively, as compared to the same period in 2021.

In terms of our assisted reproductive business, we are committed to continuously improving the success rate of our fertility treatments, enhancing patient experience, strengthening our market reputation and influence in the ARS industry. In terms of talents, we have continued to strengthen the capabilities of our team of medical professionals through recruitment and internal training. In terms of scientific research, we have invested further in our research and development teams and research initiatives, enhanced the transferability of our scientific research into clinical applications, and promoted the improvement of clinical standard. In terms of specialities, we continued strengthening our advantages through the construction of featured specialty hospitals and treatment of specific diseases. In terms of operations and management, we established refined and innovative measures to improve the operation and management efficiency of our hospitals. In terms of business expansion, we expanded the capacity of our existing hospitals on the one hand, and acquired new hospitals in regions with potential for the development of assisted reproductive business on the other hand, both capturing the growth potential of the industry. These measures reinforced our leading edge and market leading position in assisted reproductive business in China and the United States.

Since successfully completing the acquisition of Jinxin Women and Children Hospital and other businesses specializing in obstetrics, gynecology and pediatrics medical services in November 2021, we continue to leverage on our advantage in ARS and diversified our service offerings to provide a full lifecycle of fertility services covering pregnancy preparation, IVF, prenatal, childbirth and postpartum. Jinxin Women and Children Hospital is the only private Class III Grade A obstetrics, gynaecology and paediatrics hospitals in Sichuan Province and also one of the largest private obstetrics, gynaecology and paediatrics hospitals in China. In the first half of 2022, we had integrated our ARS, obstetrics, gynaecology and paediatrics business to create synergies and produced positive results. In Chengdu, the number of patients who received ARS and became successfully pregnant through Chengdu Xinan Hospital and in turn sought for obstetrics services and maintained a clinical profile in the obstetrics department of Jinxin Women and Children Hospital in the first half of 2022 increased by 125% compared to the same period last year, and the number of patients who visited the infertility division of Jinxin Women and Children Hospital and in turn visited Chengdu Xinan Hospital for initial diagnosis of IVF in the first half of 2022 increased by 108% compared to the same period last year. Through leveraging on our advantages in ARS, and obstetrics, gynecology and pediatrics medical services, we were able to reinforce our specialities and capability to treat specific diseases, such as establishing obstetric clinics designated for IVF, and we expect that this will allow us to better attract and serve patients.

## Chengdu operations

### *Chengdu Xinan Hospital*

We always position our patients as our top priority and are committed to improving the success rate of IVF and enhancing the patient experience. Since our establishment, we have consistently provided our patients with quality medical services and in November 2021, Chengdu Xinan Hospital obtained JCI accreditation from the Joint Commission International (“JCI”) with an outstanding score of 9.93 out of 10. JCI standards are globally recognized as one of the reputable benchmarks for quality and safe healthcare services. This proves that our long-standing practice has been compliant with international standards and that our medical services are of high quality.

In order to provide patients with superior and personalized ARS treatment solutions, we classify our outpatient services at Chengdu Xinan Hospital into five specialized categories: (i) patients with repeated IVF failures and thin endometrium; (ii) elder patients (aged 35 or above); (iii) younger patients (aged below 35); (iv) patients with PCOS (Polycystic Ovary Syndrome); and (v) IVF and artificial insemination (especially for ethnic minorities). Furthermore, we arrange “one-on-one consultants” for patients with IVF failure in order to better respond to their special needs both physically and psychologically and thus improve their success rate. In the first half of 2022, the success rate of IVF for our Chengdu Xinan Hospital and Jinjiang IVF Center reached 55.6%.

We continuously monitor and develop our VIP services. Chengdu Xinan Hospital has successfully launched three VIP service packages to satisfy the diversified and personalized needs of its patients. In the first half of 2022, we actively explored and optimized the structure of our VIP service packages to cater for the needs of our patients who purchases our higher end premium services, so as to increase the demand for such services. In the first half of 2022, the penetration rate of VIP services in Chengdu Xinan Hospital reached 10%.

We endeavour to enhance patient satisfaction. We established the Quality Service Department (優質服務部) at Chengdu Xinan Hospital in January 2021, and have been adhering to taking patient satisfaction as one of the key performance indicators (KPI) to facilitate the provision of better service and enhance our patients’ experience. In the first half of 2022, the satisfaction ratings of patients undergoing embryo transfers at Chengdu Xinan Hospital increased to 96% as compared to 93% for the same period in 2021. Doctors with high patient satisfaction ratings also enhanced the reputation of Chengdu Xinan Hospital in the ARS market.

We continue to expand our two-way referrals network and improve the utilization of high-quality medical technology and diversify our patient acquisition networks by leveraging on the leading position of Chengdu Xinan Hospital in the ARS market in Sichuan Province. In the first half of 2022, Chengdu Xinan Hospital cooperated with 83 medical institutions by way of two-way referrals or entering into specialty alliance cooperation agreements.

## *Jinxin Women and Children Hospital*

We acquired Jinxin Women and Children Hospital in November 2021 and strategically developed ourselves into providing medical services that support the entire lifecycle of fertility and pregnancy with ARS as our core business. As the only private Class III Grade A obstetrics, gynecology and pediatrics hospital in Sichuan Province, Jinxin Women and Children Hospital possesses advantages in medical quality, service experience and reputation, which has enabled it to accelerate the establishment of an academic hospital integrated with production, academic and research in the region.

In the first half of 2022, revenue of Jinxin Women and Children Hospital increased by 14% compared to the same period in 2021 despite the decrease of newborn births and the impact of the COVID-19 pandemic. In addition to the obstetrics business, other businesses such as pediatrics, gynecology and traditional Chinese medicine, as well as the newly launched ophthalmology and stomatology have also experienced rapid development, resulting in the formation of a business trend featuring obstetrics as a specialty and synergizing it with the other departments. In the first half of 2022, the obstetrics and neonatology departments of Jinxin Women and Children Hospital have become the key medical specialty development targets in Chengdu. Jinxin Women and Children Hospital has also passed the level three midwifery review (助產評審) and the obstetrics molecular (產診分子) laboratory expert review. Furthermore, Jinxin Women and Children Hospital continued to provide 10 medical education programs, of which, one was at the national level, seven were at the provincial level, and two were at the municipal level.

Chengdu Xinan Hospital and Jinxin Women and Children Hospital have built a very strong reputation among our patients and market influence in ARS, obstetrics, gynecology and pediatrics business, respectively, due to its excellent medical quality and superior service experience. We also actively strengthened the integration of ARS, obstetrics, gynecology and pediatrics business to promote the synergistic effects and we have achieved satisfactory results in the first half of 2022.

In the first half of 2022, the number of patients who received ARS and became successfully pregnant in Chengdu Xinan Hospital and in turn sought for obstetrics services and maintained a clinical profile in the obstetrics department of Jinxin Women and Children Hospital increased by 125% compared to the same period last year, and the number of patients who visited the infertility division at Jinxin Women and Children Hospital and in turn visited Chengdu Xinan Hospital for an initial diagnosis of IVF in the first half of 2022 increased by 108% compared to the same period last year. Through leveraging our advantages in ARS and obstetrics, gynecology and pediatrics medical services, we were able to reinforce on our specialities and capability to treat specific diseases, such as establishing obstetric clinics designated for IVF, and we expect that this will allow us to better attract and serve patients.



## Shenzhen and Greater Bay Area operations

Our Shenzhen operations faced relatively more challenges compared to our Chengdu operations from the pandemic and the prevention and control measures put in place to mitigate the spread of novel coronavirus during the Reporting Period. Shenzhen Zhongshan Hospital took various measures to minimize the impact of the COVID-19 pandemic on the business, and actively prepared for the construction and business planning of its new hospital building.

In April 2022, we have increased our control in Shenzhen Zhongshan Hospital from 79.44% to 94.44% effective shareholding interest, and further entered into an equity transfer agreement to acquire another 5.46% equity interest in Shenzhen Zhongshan Hospital, thereby increasing its control to 99.90% equity interest from August 2022. This will enable us to (i) enhance our control and influence over the management and operations of Shenzhen Zhongshan Hospital; (ii) increase our share of economic benefits generated by Shenzhen Zhongshan Hospital; and (iii) have greater flexibility in the formulation of business strategies in Shenzhen Zhongshan Hospital.

To capture the anticipated growth and increasing demand for ARS in Shenzhen and within the Greater Bay Area in the coming future due to the projected increase in population and demand in the region, and given Shenzhen Zhongshan Hospital is almost operating at full capacity, we acquired a new property in February 2022, which is due to complete construction in the third quarter of 2022 and officially put into operation in early 2024. The new property will allow Shenzhen Zhongshan Hospital to (i) further diversify its service offerings to provide various reproductive services covering ARS services, gynecology, andrology and immunology medical services; (ii) expand the VIP service to satisfy the multi-dimensional needs of our patients and enhance their experience; and (iii) provide sufficient space and a better medical environment to attract patients from the Greater Bay Area, including Hong Kong, in the future.

In addition, Shenzhen Zhongshan Hospital values the driving force generated by scientific research towards clinical applications, encourages scientific innovation and transferring research to clinical applications. In the first half of 2022, the number of articles published by Shenzhen Innovation Center on the core journals under the Science Citation Index reached a record high, totaling 11 articles. Amongst all, we are expecting our research in relation to the analysis of endometrial receptivity to enter into clinical stage in the second half of 2022.

With the implementation of the national strategy of the Guangdong-Hong Kong-Macao Greater Bay Area, we will continue to deepen our strategic focus in the region and enhance our brand awareness and market share in the region. Accordingly in the second half of 2021, we acquired RHC (brand name: Gratia Medical Center) and ARC to expand our footprint in Hong Kong and strengthen our presence of fertility services in the Greater Bay Area. We believe that following the opening of the borders between Hong Kong and the Mainland after the COVID-19 pandemic, Shenzhen Zhongshan Hospital and Hong Kong Gratia Medical Centre will benefit from the synergies created in customer acquisition, technical exchanges and complementary medical services.

## United States operations

While the COVID-19 pandemic significantly impacted the number of international patients visiting HRC Fertility for treatments, the local business has demonstrated sufficient resilience during the pandemic and continued to grow during the Reporting Period. In the first half of 2022, despite the challenges from the pandemic and inflation, revenue from the United States operations increased by 9.3% compared to the same period in 2021. Furthermore, we have successfully established new clinics and recruited new doctors with a view to increasing business capacity and reserving talents for business development and international business recovery in the future.

HRC Management continued to collaborate with the University of Southern California (“USC”), a leading private research university in the United States, and its fertility medicine practice of the reproductive and infertility endocrinology division at the Keck School of Medicine (“USC Fertility”). We have further deepened our collaboration with USC Fertility where (i) 3 doctors from USC Fertility practiced and provided clinical services at the Pasadena Clinic under HRC; (ii) the number of physicians participating in USC’s fellowship program increased from 4 to 6 with the support of HRC to nurture more physicians; and (iii) HRC and USC Fertility co-founded a research committee and collaborated on IVF-related clinical research to improve the quality of fertility treatment.

During the Reporting Period, the San Diego campus of HRC Fertility completed its renovation and commenced business in August 2022. Since then, HRC Medical owns 4 core clinics and 6 satellite clinics in Los Angeles and San Diego in the Western United States, further magnifying its market influence in the region. Dr. Michael David Wittenberger, MD, FACOG (“**Dr. Wittenberger**”) joined HRC Medical and attends to the new clinic. Dr. Wittenberger is a member of each of the American College of Obstetricians and Gynecologists and the American Society for Reproductive Medicine. He has nearly 20 years of professional experience in the field of assisted reproduction, specializing in infertility treatment, restorative surgery and fertility preservation. Dr. Wittenberger is reputable among patients and has received many awards for his outstanding professional abilities.

Furthermore, Dr. Natalia C. Llarena has officially joined HRC Medical at the end of August 2022, and practised at the Pasadena Clinic under HRC Medical. From August 2011 to May 2015, she obtained her doctoral degree in medicine from Feinberg School of Medicine at Northwestern University, Chicago, Illinois State. She was a resident of Cleveland Clinic Foundation in Cleveland, Ohio State, and was awarded Teaching Excellence Award by Cleveland Clinic Lerner College of Medicine.

With Dr. Wittenberger and Dr. Natalia C. Llarena’s joining, HRC Medical currently has a total of 18 physicians. We believe our excellent management ability and performance will attract more talented physicians to join us, thereby providing the most important asset for HRC Medical to expand its business in the Western United States and further to the entire United States.

## OUTLOOK AND FUTURE

Despite the continuing impact of the COVID-19 pandemic on the ARS industry, the global ARS market is expected to recover once the pandemic is under control and continue on its growth trend as demonstrated over the past years. The growth of the China ARS market is particularly promising due to an increased prevalence of infertility caused by lifestyle changes, an increase in the average age of the parents when having their first childbirth and rising health awareness and environmental pollution. Compared with Europe and the United States with a market penetration of ARS at approximately 30%, the market penetration of ARS in China is still relatively low. In facing the challenges of decreasing fertility rates, the PRC government has implemented and is expected to continue to implement various policies and measures to encourage fertility, and the PRC government tends to encourage patients in need of ARS in treatment. We expect the penetration rate and market size for assisted reproductive technology will be significantly increased in China.

In facing the challenges of decreasing fertility rate and change in population structure due to aging problem, the PRC government encourages births by adopting various supportive measures. In July 2021, the Central Committee of the Communist Party of China and the State Council issued the “Decision on Optimizing Fertility Policies to Promote Long-term and Balanced Population Development” (《關於優化生育政策促進人口長期均衡發展的決定》), where couples are allowed to have up to three children, and supportive measures are being introduced covering various aspects to encourage births. The “Human Assisted Reproductive Technology Application Plan (2015–2020)” (《人類輔助生殖技術應用規劃(2015–2020)》) issued by the National Health Commission aims to promote the healthy development of the reproductive medicine industry in an orderly manner to meet the market demands. According to a recent reply by the National Health Commission, it has launched the revision of administrative measures, basis standard and technical specifications related to assisted reproductive technology in order to establish and improve legal egg donation and storage channel. In August 2022, 17 governmental authorities including the National Health Commission issued the “Guidelines on Further Improving and Implementing Supportive Measures for Active Fertility” (《關於進一步完善和落實積極生育支持措施的指導意見》) to guide local governments to consider the affordability of medical insurance (including maternity insurance) funds, relevant technical standards and other factors as a whole, and in accordance with the procedures, gradually list the labor analgesia and assisted reproductive technology programs in the coverage of such medical insurance funds.

As a leading ARS provider in China and the United States, we have established a competitive advantage on branding, technology, medical staff and management in a market with significant entry barriers. All hospitals established in our network are recognized as top-notch in their respective regional market, including but not limited to Sichuan Province, Guangdong Province, Yunnan Province and the Western United States. The Company further expands our business network and brings high-quality ARS to more people, which also contributes to our leading position in the ARS markets in China and the United States.

In addition, taking our Chengdu operations as a paradigm, we have started to build a one-stop integrated business, with ARS as our core services, to support the entire fertility and pregnancy lifecycle, covering pregnancy preparation, IVF, prenatal checkups, childbirth, postpartum and pediatrics to better serve patients and create value through industry chain integration. In the future, we will promote this strategy to our other hospitals, and leveraging on our advantage in the ARS market, we can accelerate new business development and create new sources of revenue growth.

In view of the aforesaid, we plan to pursue the following core strategies to drive continued growth in our core ARS business and fertility related services.

***Increased productivity, capacity and market share***

In the Greater Bay Area, with the implementation of the national strategy of the Guangdong-Hong Kong-Macao Greater Bay Area, we will continue to deepen our strategic focus in the area to capture in full the growth for ARS in the Greater Bay Area. Further in consideration that Shenzhen Zhongshan Hospital is operating almost at its full loading, we acquired a new property in February 2022 in anticipation of the future operation of Shenzhen Zhongshan Hospital. The new property, which is nearly five times the size of the existing property, is due to complete construction in the third quarter of 2022 and is expected to be officially put into operation in early 2024. The new property will allow Shenzhen Zhongshan Hospital to (i) further diversify its service offerings to provide various reproductive services covering ARS, gynecology, andrology and immunology medical services; (ii) expand the VIP service to satisfy the multi-dimensional needs of its patients and enhance their patient's experience; and (iii) provide sufficient space and a better medical environment to attract patients from the Greater Bay Area, including Hong Kong, in the future.

In Yunnan Province, we increased our control to approximately 96.50% effective shareholding interest in Jiuzhou Hospital and Hewanjia Hospital in July 2022. At present, Jiuzhou Hospital and Hewanjia Hospital ranked second in the Yunnan Province and first amongst private hospitals in terms of market share, and they can offer services to patients from Guizhou Province. Furthermore, the property where Jiuzhou Hospital situated is a self-owned property. We also plan to renovate Jiuzhou Hospital in the second half of the year with a view to optimizing the service environment and expanding its capacity in preparation for increasing market share in the future.

### ***Expand our service offerings to provide comprehensive and integrated full fertility lifecycle services***

We intend to continue expanding our service offerings to meet the patients' demand for high quality full fertility lifecycle services covering pre-pregnancy, IVF, prenatal, childbirth and postpartum, and reinforce the synergy between our ARS and obstetrics, gynecology and pediatrics medical services. In Chengdu, our acquisition of 100% equity interests in Jinxin Women and Children Hospital in November 2021 marked our first move in strategically deepening the aforementioned strategy and we will promote the same to our other hospitals in the future.

Being the only private Class III Grade A obstetrics, gynecology and pediatrics hospital in Sichuan Province, Jinxin Women and Children Hospital possesses advantages in medical quality, service experience and reputation, which has enabled it to accelerate the establishment of an academic hospital integrated with production, academic and research in the region. Chengdu Xinan Hospital and Jinxin Women and Children Hospital have built a very strong reputation among our patients and market influence in ARS and obstetrics, gynecology and pediatrics business, respectively, due to its excellent medical quality and superior service experience. In the first half of 2022, the synergy resulting from the integration of assisted reproduction, obstetrics, gynecology and pediatrics businesses has been becoming prominent which included the expansion in the number and scale of service offerings to customers, costs synergies and improved efficiency, and specialty construction. We will continue to deepen the integration of assisted reproduction, obstetrics, gynecology and pediatrics businesses to create enhanced synergistic effects by various means such as online hospital, internal restructuring and specialty construction.

### ***Expand our business network through self-establishment or acquisitions***

As a leading ARS and fully fertility lifecycle provider in China and the United States, we continue to seek opportunities for expanding our business network and adopt different expansion strategies to fit with the market environment in different countries or regions.

In China, we intend to enter markets with high growth potential through acquisitions, such as first-tier cities and cities with radiant effect. Aside from market potential, when conducting mergers and acquisitions in China, we will also take into account various important factors such as economic environment, target valuation and post-investment integration or consolidation to determine our merger and acquisition strategy, enabling a swift integration of resources post-mergers and acquisitions and assisting the new hospitals to rapidly improve in respect of medical quality, operation management, market share and others. We acquired the controlling interests in Jiuzhou Hospital and Hewanjia Hospital in July 2022, with our control in these hospitals increased to 96.50% effective shareholding interest. In the future, we will leverage on our hospital network in Chengdu and Kunming and continue to expand the market share in Sichuan Province and Yunnan Province, and covering Guizhou Province, as to enhance our influence in the entire southwest region of China.

In the United States, we seek to expand our business network in the United States, particularly the Western United States, by way of establishing or acquiring new clinics and recruiting physicians. In August 2022, the San Diego clinic established by HRC Fertility officially commenced business. Since then, HRC Medical owns 4 core clinics and 6 satellite clinics in Los Angeles and San Diego in the Western United States, further enhancing its market influence in the region. In the same time, Dr. Wittenberger joined HRC Medical and attended the new clinic. Dr. Wittenberger is a member of each of the American College of Obstetricians and Gynecologists and the American Society for Reproductive Medicine. He has nearly 20 years of professional experience in the field of assisted reproduction, specializing in infertility treatment, restorative surgery and fertility preservation.

Besides the Greater China and the United States, we are also actively exploring opportunities to conduct mergers and acquisitions in Southeast Asia. We are in the view that the region has significant growth potential in ARS. In March 2020, we acquired an assisted reproduction license and established Jinrui Medical Center in the Boten Special Economic Zone of Laos in Southeast Asia. However, Jinrui Medical Center has not commenced business owing to the border closure between China and Laos due to the COVID-19 pandemic. With the launch of the China-Laos railway between Kunming to Laos in late 2021, we anticipate that Jinrui Medical Center will quickly recover after the pandemic and become the outpost of the Group in Southeast Asia.

***Value scientific innovation and speciality construction to enhance clinical quality and create new sources of business growth***

We buttressed and increased our investment in scientific research innovation and integrated with specialty construction, resulting in accelerated transfers of research to clinical applications, which enhanced our clinical quality to solve patients' chronic illness on the one hand and enhanced our competitiveness as well as created new sources of business growth.

In the Greater Bay Area, we have included Jinxin Medical Innovation Research Center into the Group's network in January 2022 for more effective management on our scientific research. Jinxin Medical Innovation Research Center is committed to clinical-based scientific research innovation, and ultimately tackle clinical conundrum. In the first half of 2022, the number of articles published by Shenzhen Innovation Center on the core journals under the Science Citation Index reached a record high, totalling 11 articles. Amongst all, we are expecting our research in relation to the analysis of endometrial receptivity to enter into clinical stage in the second half of 2022.

In the first half of 2022, the departments of obstetrics and neonatology of Jinxin Women and Children Hospital became a key medical specialty development targets in Chengdu. Previously, the reproductive medicine department and andrology department of Chengdu Xinan Hospital have been rated as key medical specialties in Chengdu. We are actively utilizing the leading advantages of Chengdu Xinan Hospital and Sichuan Jinxin Women and Children Hospital in ARS, obstetrics, gynecology and pediatrics medical services respectively, which will allow us to reinforce our specialty construction, creation of featured specialties and treatment of specific diseases focusing on infertility, IVF obstetrics, pre-natal and maternal-fetal medicine.

In the United States, we co-founded a research committee and collaborated on IVF-related clinical research with the USC in January 2022, with a view to further enhance the IVF clinical standard. In the future, we will further strengthen the research cooperation among various medical institutions within our network, and in compliance with the applicable laws, establish a multi-center seminar group and research group in order to accelerate scientific research innovation and transfers of research to clinical applications.

### ***Talent recruitment and nurturing plan***

We are committed to recruiting and retaining the best and most experienced medical professionals in the fields of assisted reproduction and obstetrics, gynecology and pediatrics and continuously improving our internal training system to provide a sufficient reserve of medical and management talents for our global business expansion.

We will continue to implement the “physician as partner” mechanism to grant outstanding physicians with equity ownership as partners of the Company, sharing the fruits from the development of the Company. We have adopted the 2022 Restricted Share Award Scheme in February 2022 and its purposes are to (i) provide our employees with the opportunity to acquire proprietary interests in the Company; (ii) encourage our employees to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole; and (iii) provide the Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to our employees.

We will continue to introduce and recruit excellent physicians to join the Company, and cooperate with well-known universities to nurture young physicians. HRC Management continued to collaborate with the USC, and the number of physicians participating in USC’s fellowship program increased from 4 to 6 with the support of HRC Management to nurture more physicians.

We also established the “Jinxin Academy” and invited renowned experts to give public lectures, aiming to (i) attract young physicians who are interested in assisted reproductive technology and improve their professional skills; and (ii) reserve talents for the expansion of the Company and the industry. As of April 2022, 1,422 people signed up for the new term of training at the Jinxin Academy, involving 743 hospitals or medical institutions, and 86% of them were not from our Group.

### ***Environmental, Social and Governance (ESG)***

We have dedicated to enhancing our ESG initiatives in many ways. We believe, through our efforts in ESG, we will continue to create values for the society on the one hand, and gain recognition from the society and patients, on the other hand, to aid the Company in realizing a healthy and sustainable development in the future. In particular with the resurgence of pandemic in China, we have acted promptly to support pandemic prevention and control in 2022. As of August 23, 2022, the Group and its related entities sent 9,526 nucleic acid sampling personnel and completed 2,915,839 nucleic acid sampling.

## **FINANCIAL REVIEW**

### **Revenue**

Revenue of the Group increased by 32.5% from approximately RMB859.3 million for the six months ended June 30, 2021 to approximately RMB1,138.2 million for the six months ended June 30, 2022. The overall increase was primarily attributable to an increase in revenue due to the consolidation of Jinxin Women and Children Hospital’s revenue into our Group since November 26, 2021, which was partially offset by (i) a decrease in revenue generated by our Shenzhen operations resulting from pandemic prevention and control measures including a four-week lockdown; and (ii) a decrease in revenue generated by our Wuhan operation resulting from temporary suspension of its ARS business during the Reporting Period.



During the Reporting Period, the Group generated revenue from the following services: (i) ARS; (ii) management services; and (iii) ancillary medical services; (iv) obstetrics, gynecology and pediatrics medical services; and (v) sales of medicines, consumables and equipment. The Group's revenue is contributed from its operations in the Greater China and the United States. The following table sets forth a breakdown of the Group's revenue for each service category by region:

	<b>Six months ended June 30,</b>			
	<b>2022</b>		<b>2021</b>	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
<b>Chengdu Operations</b>				
ARS	<b>354,682</b>	<b>31.2%</b>	373,623	43.5%
Management service fee	<b>66,039</b>	<b>5.8%</b>	35,993	4.2%
Obstetrics, gynecology, pediatrics medical services and sales of medicines, consumables and equipment	<b>280,763</b>	<b>24.7%</b>	–	–
<b>Sub-total</b>	<b>701,484</b>	<b>61.6%</b>	409,616	47.7%
<b>Shenzhen operations</b>				
ARS	<b>148,117</b>	<b>13.0%</b>	184,715	21.5%
Ancillary medical services	<b>17,477</b>	<b>1.5%</b>	21,979	2.6%
<b>Sub-total</b>	<b>165,594</b>	<b>14.5%</b>	206,694	24.1%
<b>Wuhan operations</b>	<b>6,592</b>	<b>0.6%</b>	25,033	2.9%
<b>Hong Kong operations</b>	<b>26,236</b>	<b>2.3%</b>	–	–
<b>United States operations</b>				
Management service fee	<b>200,335</b>	<b>17.6%</b>	200,507	23.3%
Ancillary medical services <sup>(1)</sup>	<b>37,987</b>	<b>3.3%</b>	17,453	2.0%
<b>Sub-total</b>	<b>238,322</b>	<b>20.9%</b>	217,960	25.4%
<b>Total</b>	<b>1,138,228</b>	<b>100.0%</b>	<b>859,303</b>	<b>100.0%</b>

*Note:*

- (1) Ancillary medical services provided by HRC Management include ambulatory surgery centre facility services and PGT (preimplantation genetic testing) services.

### ***Chengdu operations***

The revenue contributed by the operations in Chengdu increased by 71.3% from approximately RMB409.6 million for the six months ended June 30, 2021 to approximately RMB701.5 million for the six months ended June 30, 2022, primarily due to (i) the revenue contributed by Jinxin Women and Children Hospital being consolidated to our Group since November 26, 2021; and (ii) an increase in management service fees charged to Jinjiang IVF Center.

The revenue from ARS provided at Chengdu Xinan Hospital decreased by 5.1% from approximately RMB373.6 million for the six months ended June 30, 2021 to approximately RMB354.7 million for the six months ended June 30, 2022, primarily due to a decrease in the average spending per IVF treatment cycle performed at Chengdu Xinan Hospital resulted from the decrease in VIP cycles performed in Chengdu Xinan Hospital. We explored to optimize our VIP packages to cater the diversified needs of our patients by way of restructuring our VIP packages, which led to a decrease in VIP penetration rate in the first half year in 2022.

Revenue from management services provided in Chengdu increased by 83.5% from approximately RMB36.0 million for the six months ended June 30, 2021 to approximately RMB66.0 million for the six months ended June 30, 2022, primarily due to the increase in management service fee charged to JinJiang IVF Center. We appointed a well regarded physician from Chengdu Xinan Hospital to act as the president of JinJiang IVF Center which attributed to the significant increase of IVF treatment cycles performed at JinJiang IVF Center.

Despite our Chengdu operations were affected by the pandemic prevention and control measures imposed in April 2022, the total revenue generated from Chengdu Xinan Hospital including both ARS revenue and management service fees increased by 2.7% from approximately RMB409.6 million for the six months ended June 30, 2021 to approximately RMB420.7 million for the six months ended June 30, 2022.

### ***Shenzhen operations***

The revenue contributed by the Group's Shenzhen operations decreased by 19.9% from approximately RMB206.7 million for the six months ended June 30, 2021 to approximately RMB165.6 million for the six months ended June 30, 2022, primarily due to the pandemic prevention and control measures including a four-week lockdown adopted in Shenzhen in an effort to mitigate the spread of the novel coronavirus.

### ***Wuhan operations***

The revenue contributed by the Group's Wuhan operations decreased by 73.7% from approximately RMB25.0 million for the six months ended June 30, 2021 to approximately RMB6.6 million for the six months ended June 30, 2022, primarily due to the temporary suspension of ARS business since November 26, 2021.

### ***Hong Kong operations***

Revenue contributed by Jinxin Women Group amounted to RMB26.2 million for the six months ended June 30, 2022.

### ***United States operations***

The revenue contributed by the Group's United States operations increased by 9.3% from approximately RMB218.0 million for the six months ended June 30, 2021 to approximately RMB238.3 million for the six months ended June 30, 2022, primarily due to the increase in IVF treatment cycles performed at HRC Medical resulted from the recovery of local ARS business from the COVID-19 pandemic.

Ancillary medical services provided by HRC Management include ambulatory surgery center facility services and PGT services. Revenue contributed by such ancillary medical services increased by 117.7% from approximately RMB17.5 million for the six months ended June 30, 2021 to approximately RMB38.0 million for the six months ended June 30, 2022, primarily due to reclassifying of the revenue generated from IVF treatments conducted at RSA centers as part of ambulatory surgery center facility services since April 2022.

### **Cost of Revenue**

Cost of revenue of the Group increased by 35.9% from approximately RMB496.1 million for the six months ended June 30, 2021 to approximately RMB673.9 million for the six months ended June 30, 2022. The increase of the cost of revenue was mainly attributed to the consolidation of the Jinxin Women and Children Hospital operations since November 26, 2021.

Cost of revenue of the Group consists primarily of cost of pharmaceutical products and consumables, staff costs, and depreciation of property, plant and equipment, and others. Cost of pharmaceutical products and consumables consists of the cost of pharmaceutical products and consumables that the Group uses in the course of providing its services. Staff costs are primarily incurred in connection with salaries, benefits, social insurance payments and bonus of the Group's medical staff. Depreciation primarily consists of depreciation of property, plant and equipment.

## **Gross Profit and Gross Profit Margin**

Gross profit of the Group increased by 27.8% from approximately RMB363.2 million for the six months ended June 30, 2021 to approximately RMB464.3 million for the six months ended June 30, 2022. The increase was primarily attributable to the consolidation of the Jinxin Women and Children Hospital operations since November 26, 2021. The Group's gross profit margin decreased from 42.3% for the six months ended June 30, 2021 to 40.8% for the six months ended June 30, 2022. The decrease in the gross profit margin was due to the one-off loss made by Wuhan Jinxin Hospital due to the temporary suspension of ARS business and consolidation of Jinxin Women and Children Hospital which has a slightly lower margin than the Group's existing businesses.

## **Other Income**

Other income of the Group increased by 25.8% from approximately RMB21.8 million for the six months ended June 30, 2021 to approximately RMB27.4 million for the six months ended June 30, 2022, primarily due to the increase in government grant received by Jinxin Women and Children Hospital for its newly granted Class III Grade A qualification.

Other income consists primarily of interest income from time deposits and bank balances and government grants.

## **Other Gains and Losses**

Other gains and losses primarily represent gain on fair value change of financial assets at fair value through profit or loss ("FVTPL") and net exchange gain or loss. The Group recorded a net exchange gain of approximately RMB19.7 million for the six month ended June 30, 2022, primarily resulting from fluctuations in the exchange rate of US dollar against RMB and HKD.

## **Research and Development Expenses**

Research and development expenses of the Group decreased by 4.9% from approximately RMB5.0 million for the six months ended June 30, 2021 to approximately RMB4.7 million for the six months ended June 30, 2022.

Research and development expenses primarily consist of staff costs of the Group's research and development team at Shenzhen Zhongshan Hospital, which conducts projects in assisted reproductive technology, in particular, reproductive immunology, and cost of materials used by its research and development team.

## **Selling and Distribution Expenses**

Selling and distribution expenses primarily consist of marketing and promotional expenses associated with organizing educational activities and cooperating with third parties agencies and partners and staff cost of the Group's marketing team. Selling and distribution expenses of the Group increased by 105.5% from approximately RMB26.1 million for the six months ended June 30, 2021 to approximately RMB53.7 million for the six months ended June 30, 2022, primarily due to an increase in marketing expenses and agency fees incurred by HRC Management in connection with the preparations made to cater for recovery of both local and international businesses from the COVID-19 pandemic in 2023.

## **Administrative Expenses**

Administrative expenses primarily consist of staff costs, including ESOP expenses, depreciation and amortization, repairment and maintenance, property-related expenses and others. Administrative expenses of the Group increased by 29.7% from approximately RMB144.7 million for the six months ended June 30, 2021 to approximately RMB187.6 million for the six months ended June 30, 2022, primarily due to (i) consolidation of the Jinxin Women and Children Hospital operations since November 26, 2021; and (ii) an increase in staff costs resulted from inflation in the United States; and (iii) an increase in expenses incurred in connection with the relocation of two satellite clinics and establishment of San Diego clinic under HRC Management operations.

## **Finance Costs**

Finance costs of the Group increased from approximately RMB8.8 million for the six months ended June 30, 2021 to approximately RMB33.0 million for the six months ended June 30, 2022, primarily due to the interest incurred for the syndicated bank facility amounting to US\$300 million which was drawn down in full in March 2022.

## **Income Tax Expenses**

Income tax expenses of the Group primarily consist of PRC enterprise income tax and US income tax. Income tax expenses of the Group increased by 4.3% from approximately RMB44.2 million for the six months ended June 30, 2021 to approximately RMB46.1 million for the six months ended June 30, 2022, primarily due to the increase in the Group's profit before taxation.

The effective tax rate of the Group decreased from 21.4% for the six months ended June 30, 2021 to 19.7% for the six months ended June 30, 2022, primarily due to the decrease in the taxable income of the Group's United States operations as a percentage of total taxable income of the Group.

## Non-IFRS Measures

To supplement the Group's condensed consolidated financial statements which are presented in accordance with IFRS, the Company has provided EBITDA, adjusted EBITDA, and adjusted net profit as non-IFRS measures, which is not required by, or presented in accordance with, IFRS. The Company believes that the adjusted financial measures provide useful information to investors and others in understanding and evaluating the Group's consolidated statements of profit or loss in the same manner as they helped the Company's management, and that the Company's management and investors may benefit from referring to these adjusted financial measures in assessing the Group's operating performance from period to period by eliminating impacts of items that the Group does not consider indicative of the Group's operating performance. However, the presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRS. You should not view the adjusted results on a stand-alone basis or as a substitute for results under IFRS.

The following tables set forth the reconciliation of the Group's non-IFRS financial measures for the six months ended June 30, 2022 and 2021 to the nearest measures prepared in accordance with IFRS:

	<b>Six months ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Profit for the year</b>	<b>187,597</b>	162,631
Add:		
ESOP expenses <sup>(1)</sup>	<b>18,056</b>	52,318
Amortization and depreciation of medical practice license, non-compete agreement and property, plant and equipment arising from acquisitions <sup>(2)</sup>	<b>19,901</b>	13,167
One-off loss made by Wuhan Jinxin Hospital due to the temporary suspension of its ARS business <sup>(3)</sup>	<b>32,604</b>	–
<b>Non-IFRS adjusted net profit</b>	<b><u>258,158</u></b>	<b><u>228,116</u></b>
<b>Non-IFRS EBITDA</b>	<b>333,471</b>	246,943
Add:		
ESOP expenses <sup>(1)</sup>	<b>18,056</b>	52,318
One-off loss made by Wuhan Jinxin Hospital due to the temporary suspension of its ARS business <sup>(3)</sup>	<b>32,604</b>	–
<b>Non-IFRS adjusted EBITDA</b>	<b><u>384,131</u></b>	<b><u>299,261</u></b>

*Notes:*

- (1) ESOP expenses: As ESOP expenses are regarded as non-cash items, the Company has eliminated the effect of the grant of restricted shares under the RSU Scheme when calculating the earnings per Share to ensure disclosure consistency.
- (2) Amortization and depreciation of medical practice license, non-compete agreement and property, plant and equipment arising from acquisitions: By eliminating the effect of these items from the profit attributable to the owners of the Company, it serves the purpose of demonstrating the endogenous growth of the Company.
- (3) One-off loss made by Wuhan Jinxin Hospital due to the temporary suspension of its ARS business: this loss was mainly attributable to the temporary suspension of ARS business at Wuhan Jinxin Hospital and Wuhan Jinxin Hospital is expected to resume its operations in the second half of 2022.

### **Net Profit and Net Profit Margin**

As a result of the foregoing, net profit of the Group increased by 15.4% from approximately RMB162.6 million for the six months ended June 30, 2021 to approximately RMB187.6 million for the six months ended June 30, 2022. Net profit margin of the Group for the six months ended June 30, 2022 was 16.5%, compared to 18.9% for the six months ended June 30, 2021. The lower net profit margin compared to the six months ended June 30, 2021 was primarily due to, as presented in the foregoing, (i) the one-off loss made by Wuhan Jinxin Hospital due to the temporary suspension of its ARS business; (ii) an increase in finance cost; and (iii) an increase in operating expenses in HRC Management.

Profit attribute to owners of the parent increased by 22.2% from approximately RMB155.6 million for the six months ended June 30, 2021 to approximately RMB190.1 million for the six months ended June 30, 2022.

Non-IFRS adjusted net profit<sup>1</sup> of the Group increased by 13.2% from approximately RMB228.1 million for the six months ended June 30, 2021 to approximately RMB258.2 million for the six months ended June 30, 2022. The non-IFRS adjusted net profit margin of the Group for the six months ended June 30, 2022 was 22.7%, compared to 26.5% for the six months ended June 30, 2021. The lower non-IFRS adjusted net profit margin of the Group for the six months ended June 30, 2022 was primarily due to, as presented in the foregoing, (i) an increase in finance cost; and (ii) an increase in operating expenses in HRC Management.

Non-IFRS adjusted net Profit attribute to owners of the parent increased by 17.9% from approximately RMB221.1 million for the six months ended June 30, 2021 to approximately RMB260.7 million for the six months ended June 30, 2022.

### **Non-IFRS EBITDA**

Non-IFRS EBITDA<sup>2</sup> of the Group increased by 35.0% from approximately RMB246.9 million for the six months ended June 30, 2021 to approximately RMB333.5 million for the six months ended June 30, 2022. The non-IFRS EBITDA margin of the Group for the six months ended June 30, 2022 was 29.3%, compared to 28.7% for the six months ended June 30, 2021. The higher EBITDA margin of the Group for the six months ended June 30, 2022 was mainly because the ESOP expenses decreased from RMB52.3 million for the six months ended June 30, 2021 to RMB18.1 million for the six months ended June 30, 2022 which was partially offset by (i) one-off loss made by Wuhan Jinxin Hospital due to the temporary suspension of its ARS business and (ii) an increase in administration expenses in HRC operations as a result of the foregoing.

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*Notes:*

- 1 Non-IFRS adjusted net profit is calculated as net profit for the Reporting Period, excluding (i) ESOP expenses; and (ii) amortization and depreciation of medical practice license, non-compete agreement and property, plant and equipment arising from acquisitions; (iii) one-off loss made by Wuhan Jinxin Hospital due to the temporary suspension of its ARS business, to better reflect the Company's current business and operations.
- 2 Non-IFRS EBITDA represents profit before taxation excluding (i) finance costs; (ii) depreciation of property, plant and equipment; and (iii) amortization of medical practice license and non-compete agreement, while less interest income.



Non-IFRS adjusted EBITDA<sup>3</sup> of the Group increased by 28.4% from approximately RMB299.3 million for the six months ended June 30, 2021 to approximately RMB384.1 million for the six months ended June 30, 2022. The non-IFRS adjusted EBITDA margin of the Group for the six months ended June 30, 2022 was 33.7%, compared to 34.8% for the six months ended June 30, 2021. The lower non-IFRS adjusted EBITDA margin of the Group for the six months ended June 30, 2022 was primarily due to an increase in administration expenses in HRC operations as a result of the foregoing.

### **Basic and Diluted Earnings per Share**

The basic and diluted earnings per share of the Group for the six months ended June 30, 2022 amounted to RMB0.08 and RMB0.07 respectively, as compared with RMB0.06 and RMB0.06 as that for the six months ended June 30, 2021 respectively. Please refer to note 10 to the condensed consolidated financial statements in this announcement. Adjusted basic earnings per share of the Group for the six months ended June 30, 2022 amounted to RMB0.10, as compared with RMB0.09 as that for the six months ended June 30, 2021.

### **Inventories**

Inventories of the Group decreased by 22.8% from approximately RMB46.8 million as at December 31, 2021 to approximately RMB36.1 million as at June 30, 2022, primarily due to the improved efficiency of inventory management.

### **Accounts and Other Receivables**

Accounts and other receivables of the Group increased by 16.8% from approximately RMB142.7 million as at December 31, 2021 to approximately RMB166.6 million as at June 30, 2022, which was consistent with our revenue growth.

### **Accounts and Other Payables**

Accounts and other payables of the Group increased by 103.8% from approximately RMB445.5 million as at December 31, 2021 to approximately RMB907.8 million as at June 30, 2022, primarily due to the increase in dividend payable of RMB152.5 million and increase in payable of RMB227.8 million associated with the acquisition of the new property, being the new hospital building of Shenzhen Zhongshan Hospital.

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*Notes:*

- 3 Non-IFRS adjusted EBITDA is calculated as non-IFRS EBITDA for the Reporting Period, excluding (i) ESOP expenses; (ii) one-off loss made by Wuhan Jinxin Hospital due to the temporary suspension of its ARS business, to better reflect the Company's current business and operations.

## Liquidity and Capital Resources

The business operations and expansion plans of the Group require a significant amount of capital, including upgrading the Group's existing medical facilities and establishing and acquiring new medical institutions and other working capital requirement. In June 2019, the Group received total proceeds of approximately HK\$2,808.1 million from the Listing, after deducting the underwriting fees, commissions and related Listing expenses. In February 2021, the Group received total net proceeds of approximately HK\$1,253.47 million from the Placing (as defined hereinafter). The Group also obtained additional funding from syndicated loan facilities of up to US\$300 million in 2021 and a drawdown in full of such bank facility in March 2022. The net proceeds and the loan facilities would be used to fund the capital requirements of the Group. Therefore, the Directors are of the view that the Group has sufficient resources to meet its future business operations and expansion plans.

## Cash Flows

The following table sets forth selected cash flow data of the Group's consolidated statements of cash flows for the periods indicated and analysis of balances of cash and cash equivalents for the periods indicated:

	<b>For the six months ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Net cash from operating activities	<b>273,037</b>	174,432
Net cash (used in) from investing activities	<b>(1,665,046)</b>	8,919
Net cash from financing activities	<b>873,160</b>	996,641
Cash and cash equivalents at beginning of the period	<b>1,689,284</b>	1,964,516
Effect of foreign exchange rate changes	<b>8,413</b>	(6,443)
Cash and cash equivalents at end of the period	<b>1,178,848</b>	3,138,065

## Capital Commitments

The principal capital expenditures of the Group relate primarily to purchases of property, plant and equipment. The following table sets forth a breakdown of the Group's capital expenditures for the periods indicated:

	<b>As at June, 30 2022 RMB'000 (unaudited)</b>	<b>As at December, 31 2021 RMB'000 (audited)</b>
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<b><u>87,545</u></b>	<b><u>5,306</u></b>

## Significant Investments, Material Acquisitions and Disposals

Save as disclosed above, as at June 30, 2022, there were no significant investments held by the Company, nor were any material acquisitions or disposals of subsidiaries, associates and joint ventures.

## Indebtedness

### *Lease liabilities*

The Group recognized right-of-use assets and corresponding lease liabilities in respect of all leases, except for short-term leases and leases of low value assets. As at June 30, 2022, the Group, as a lessee, had outstanding lease liabilities for the remaining terms of relevant lease agreements in an aggregate amount of RMB432.0 million. The lease liabilities represent payment for right of using underlying assets.

### *Borrowings*

As of June 30, 2022, the Group had bank borrowings of RMB2,135.2 million (December 31, 2021: RMB163.7 million).

### *Contingent Liabilities and Guarantees*

As at June 30, 2022, the Group did not have any material contingent liabilities or guarantees.

### ***Charge of Assets***

As at June 30, 2022, there was no charge on the material assets of the Group.

### ***Contractual Obligations***

As at June 30, 2022, the Group did not have any contractual obligations that would have a material effect on its financial position or results of operations.

### ***Gearing Ratio***

Gearing ratio is calculated using total borrowings divided by total equity as of the end of such period and multiplied by 100%. As at June 30, 2022, the Group's gearing ratio is 24.5% (December 31, 2021: 1.87%).

### ***Currency Risk***

The business of the Group operates in the mainland China and Hong Kong, and the U.S.A with its transactions settled in Renminbi, Hong Kong dollars and U.S. dollar, respectively. Renminbi is not a freely convertible currency and is subject to changes in central government policies and to international economic and political developments. Despite the fact that the Company currently has not adopted any hedging measure, the cost of U.S. dollar is covered by the revenue generated in U.S. dollar, which serves as a natural hedging purpose. As a result, the Company does not believe that it currently has any significant direct foreign exchange risk and has not used any derivative financial instruments to hedge our exposure to such risk.

### ***Interest Rate Risk***

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances. Its cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The Directors consider that the overall interest rate risk is not significant and no sensitivity analysis is presented. The Company considers the interest rate risk associated with the financial assets at fair value through profit or loss and fixed rate time deposit to be limited because the tenor of such instruments are short, ranging from 35 to 90 days.

### ***Liquidity Risk***

The Group aims to manage liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

## **EMPLOYEES AND REMUNERATION POLICY**

As at June 30, 2022, the Group and the medical facilities in its network had a total of 2,637 employees, of whom 2,421 were located in Greater China, 216 were located in the United States. The staff costs, including Directors' emoluments were approximately RMB336.6 million for the six months ended June 30, 2022, as compared to approximately RMB263.0 million for the six months ended June 30, 2021.

The medical facilities in the Group's network generally enter into individual employment contracts with their employees to cover matters such as wages, benefits and grounds for termination. At each of the assisted reproductive medical facilities, the medical professionals are provided with competitive compensation packages, attractive promotion opportunities, diverse training courses and a professional working environment. Remuneration packages for the employees primarily comprise of: base salary, performance-based compensation and/or discretionary bonus. As required by PRC laws and regulations, the Group participates in various employee social security plans for its employees that are administered by local governments, including housing provident fund, pension, medical, maternity insurance, work-related injury insurance and unemployment insurance.

The Group also offers its employees the option to participate in its RSU Scheme and 2022 Restricted Share Award Scheme, which was adopted on February 15, 2019 and February 17, 2022, respectively. Summary of the principal terms of the RSU Scheme are set out in the section headed "Statutory and General Information – D. RSU Scheme" in Appendix V to the Prospectus. Summary of the principal terms of the 2022 Restricted Share Award Scheme are set out in the announcement of the Company dated February 17, 2022. The Group has not granted any award shares since the adoption of the 2022 Restricted Share Award Scheme and up to June 30, 2022.

Besides, the Group has adopted the Share Option Scheme to grant options as defined in the Share Option Scheme to selected participants as incentives or rewards for their contributions to the Group, which was adopted on June 3, 2019. Summary of the principal terms of the Share Option Scheme are set out in the section headed "Statutory and General Information – E. Share Option Scheme" in Appendix V to the Prospectus. As at June 30, 2022, no option has been granted pursuant to the Share Option Scheme.

## **INTERIM DIVIDEND**

The Board does not recommend payment of an interim dividend for the six months ended June 30, 2022 (for the six months ended June 30, 2021: nil).

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Company has complied with all applicable code provisions of the CG Code for the six months ended June 30, 2022. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he or she has complied with the required standards as set out in the Model Code during the six months ended June 30, 2022.

## **USE OF PROCEEDS FROM LISTING**

The total proceeds from the issue of new Shares by the Company in its Listing (after deducting the underwriting fees and related Listing expenses) amounted to approximately HK\$2,808.1 million and the unutilized net proceeds were kept at the bank accounts of the Group as at June 30, 2022.

The net proceeds from the Listing (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage up to June 30, 2022:

	Planned applications (HK\$ million)	Percentage of total net proceed	Actual usage up to June 30, 2022 (HK\$ million)	Net proceeds brought forward for the Reporting Period (HK\$ million)	Unutilized net proceeds as at June 30, 2022 (HK\$ million)	Expected timeline for utilizing the remaining unutilized net proceeds <sup>(2)</sup>
To expand and upgrade existing assisted reproductive medical facilities in the Group's network in China and recruit medical professionals, including physicians and embryologists, in order to increase capacity, expand its service offering and market share	702.0 <sup>(1)</sup>	25.0% <sup>(1)</sup>	470.8	671.2	231.2	By December 2023
For the potential acquisition of additional assisted reproductive medical facilities in provinces in China we are currently not operating in <sup>(3)</sup>	561.6	20.0%	561.6	–	–	N/A
For investment in research and development to enhance overall performance and maintain the Group's position at the forefront of assisted reproductive technology	280.8	10.0%	71.7	230.1	209.1	By December 2024
For the potential acquisitions of ARS service providers and businesses along the ARS service chain <sup>(4)</sup>	561.6	20.0%	561.6	–	–	N/A
To improve brand awareness and general ARS awareness in both China and the United States	421.2	15.0%	90.5	384.4	330.7	By December 2025
For the Group's working capital and general corporate purposes <sup>(5)</sup>	280.9	10.0%	280.9	103.2	–	N/A
<b>Total</b>	<b><u>2,808.1</u></b>	<b><u>100%</u></b>	<b><u>2,037.1</u></b>	<b><u>1,388.9</u></b>	<b><u>771.0</u></b>	

*Notes:*

- (1) The Group intends to use (i) 20.0% or HK\$561.6 million to (a) expand and upgrade the medical facilities, (b) acquire additional medical equipment and (c) acquire and/or construct patient care facilities, and (ii) 5.0%, or HK\$140.4 million to recruit and expand medical professional teams and relevant supporting staff, including introducing professional staff specializing in prenatal services.
- (2) The expected timeline for utilizing the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.
- (3) Including the acquisition of equity interests of a hospital in Wuhan with assisted reproductive medical facilities and subsequent capital expenditure in connection with improving the hospital.
- (4) Including (i) formation of joint venture with the shareholders of Mengmei Life Pty. Ltd. and Jinxin Hospital Management Group Limited in relation to, among others, the promotion, customers acquisition and channels management related to IVF and (ii) acquisition of obstetrics, gynecology and pediatric business through Jinxin Medical Management (BVI) Group Limited.
- (5) Namely (i) consultation fees, including but not limited to fees for legal compliance, audit, investor relations/public relations, human resources, and operations; (ii) rental and office expense; and (iii) remuneration packages of the existing management team.

## **USE OF PROCEEDS FROM PLACING**

On February 2, 2021, the Company entered into a placing agreement with Morgan Stanley & Co. International plc (the “Placing Agent”), pursuant to which the Placing Agent agreed to place 80,000,000 Shares (or, failing which, to purchase itself as principal) on a fully underwritten basis to not less than six independent investors (the “Placing”). The Placing price was HK\$15.85 per Share.



The closing of the Placing took place on February 9, 2021. The net proceeds from the Placing were approximately HK\$1,253.47 million, which have been and will be utilized in accordance with the purposes set out in the announcements of the Company dated February 2, 2021 and February 9, 2021, respectively. The table below sets out the planned applications of the net proceeds and actual usage up to June 30, 2022:

	Planned applications (HK\$ million)	Percentage of total net proceed	Actual usage up to June 30, 2022 (HK\$ million)	Net proceeds brought forward for the Reporting Period (HK\$ million)	Unutilized net proceeds as at June 30, 2022 (HK\$ million)	Expected timeline for utilizing the remaining unutilized net proceeds <sup>(1)</sup>
To fund potential merger and acquisition opportunities of ARS-licensed providers located in regions in the PRC with relatively high demand for ARS, such as in East China, the Beijing-Tianjin-Hebei region, and other highly potential regions	1,002.78	80.0%	1,002.78	0	–	N/A
To fund potential merger and acquisition opportunities of ARS-licensed providers located outside the PRC, such as in Southeast Asia and other Asia-pacific countries	188.02	15.0%	–	188.02	188.02	By June 2023
For general corporate and working capital purposes	62.67	5.0%	62.67	62.67	–	N/A
<b>Total</b>	<b><u>1,253.47</u></b>	<b><u>100%</u></b>	<b><u>1,065.45</u></b>	<b><u>250.69</u></b>	<b><u>188.02</u></b>	

*Note:*

- (1) The expected timeline for utilizing the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

## **PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY**

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

The Board has established the Audit and Risk Management Committee which is chaired by an independent non-executive Director, Mr. Ye Changqing, and consists of another two independent non-executive Directors, Dr. Chong Yat Keung and Mr. Wang Xiaobo, and two non-executive Directors, Mr. Fang Min and Ms. Hu Zhe. The primary duties of the Audit and Risk Management Committee are to assist the Board by monitoring the Company's ongoing compliance with the applicable laws and regulations that governs its business operations, providing an independent view on the effectiveness of the Company's internal control policies, financial management processes and risk management systems, in particular, the implementation of the Company's anti-corruption and anti-bribery measures.

## **REVIEW OF INTERIM RESULTS**

The Audit and Risk Management Committee has jointly reviewed with the management and the independent auditors of the Company, the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited consolidated financial statements of the Group for the six months ended June 30, 2022 of the Group. The Audit and Risk Management Committee and the independent auditors considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

## **EVENTS AFTER THE REPORTING PERIOD**

The Group has the following events taken place subsequent to June 30, 2022:

- On July 13, 2022, the acquisition of 90.00% equity interest in Kangzhi Hospital Company, 89.7959% equity interest in Guangzhou Yunzhicai and 89.7959% in Guangzhou Hejia has been completed. Details in relation to the acquisition were set out in the announcements of the Company dated April 21, 2022 and July 13, 2022, respectively.
- On August 25, 2022, the acquisition of 5.46% equity interest in Shenzhen Zhongshan Hospital has been completed and we have increased our control to 99.90% equity interest of Shenzhen Zhongshang Hospital. Details in relation to the acquisition were set out in the announcements of the Company dated April 13, 2022 and August 26, 2022, respectively.

## **PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND 2022 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.jxr-fertility.com](http://www.jxr-fertility.com)), and the 2022 interim report of the Company containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

### **DEFINITIONS**

“2022 Restricted Share Award Scheme”	the 2022 restricted share award scheme conditionally adopted by the Company on February 17, 2022, the principal terms of which are summarized in the announcement of the Company dated February 17, 2022
“ARS”	assisted reproductive service(s)
“ARC”	Hong Kong Assisted Reproduction Centre Limited (香港輔助生育中心有限公司), a company established in Hong Kong with limited liability on June 14, 2007, the Group’s indirect subsidiary
“Audit and Risk Management Committee”	the audit and risk management committee of the Board
“Board” or “Board of Directors”	the board of Directors of the Company
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Chairman”	the Chairman of the Board
“Chengdu Xinan Hospital”	Chengdu Xinan Gynecological Hospital Co., Ltd. (成都西囡婦科醫院有限公司), a company established in Chengdu, Sichuan Province, PRC with limited liability on November 10, 2015, the Group’s subsidiary

“China” or the “PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
“Company”, “we” or “our”	Jinxin Fertility Group Limited (錦欣生殖醫療集團有限公司*), previously known as Sichuan Jinxin Fertility Company Limited, an exempted company established in the Cayman Islands with limited liability on May 3, 2018
“COVID-19”	Coronavirus disease of 2019
“Director(s)”	the director(s) of the Company
“ESOP”	collectively the RSU Scheme and the Share Option Scheme
“Group”	the Company and its subsidiaries
“HK dollar(s)” or “HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HRC Fertility”	HRC Management and HRC Medical
“HRC Management”	HRC Fertility Management, LLC, a limited liability company established under the laws of Delaware, the United States on November 3, 2015, the Group’s indirect subsidiary
“HRC Medical”	Huntington Reproductive Center Medical Group, a professional corporation established under the laws of California, the United States on January 1, 1995, a connected person of the Company by virtue of being jointly owned by Dr. Michael A. Feinman, Dr. Bradford A. Kolb and Dr. Jane L. Frederick, and the nine clinics and three IVF laboratories in California which it owns
“IFRS”	International Financial Reporting Standards
“IVF”	in vitro fertilization, a process where the egg and sperm are incubated together to a fertilized embryo in an in vitro system to achieve pregnancy

“Jinjiang District Maternity and Child Health Hospital”	Chengdu Jinjiang District Maternity and Child Health Hospital (成都市錦江區婦幼保健院), a non-profit maternity and child healthcare hospital established in the PRC in 1954, the IVF center of which is jointly managed by the Group
“Jinjiang IVF Center”	the IVF center of Jinjiang District Maternity and Child Health Hospital
“Jinrun Fude”	Chengdu Jinrun Fude Medical Management Company Limited (成都錦潤福德醫療管理有限公司), a limited liability company established under the laws of the PRC with limited liability on May 9, 2018, the Group’s subsidiary by virtue of contractual arrangements
“Jinxin Medical Group”	Jinxin Medical Management (BVI) Group Limited and its subsidiaries
“Jinxin Women and Children Hospital”	Sichuan Jinxin Women and Children Hospital Co., Ltd (四川錦欣婦女兒童醫院有限公司), a company established under the laws of the PRC with limited liability on December 9, 2016 that is a for-profit women and children hospital, the fertility center of which was jointly managed by the Group
“Jinxin Women Group”	Jinxin Women Wellness Limited and its subsidiaries
“Jinxin Women Wellness Limited”	Jinxin Women Wellness Limited, a company established under the laws of BVI with limited liability on July 1, 2021, the Group’s indirect subsidiary and wholly owns the RHC and the ARC
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on June 25, 2019
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Main Board”	Main Board of the Stock Exchange

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“MSA”	the amended and restated management services agreement dated January 22, 2019 pursuant to which HRC Management provided non-medical management services to HRC Medical
“NexGenomics”	NexGenomics, LLC, a limited liability company established under the laws of California, the United States, on February 4, 2015, wholly owned by HRC Management
“Prospectus”	the prospectus issued by the Company dated June 13, 2019
“Renminbi” or “RMB”	Renminbi Yuan, the lawful currency of the PRC
“Reporting Period”	the six-month period from January 1, 2022 to June 30, 2022
“RHC”	Hong Kong Reproductive Health Centre Limited (香港生育康健中心有限公司), a company established in Hong Kong with limited liability on June 14, 2007, the Group’s indirect subsidiary
“RSA Centers”	the three surgical centers located at HRC Medical core clinics in Pasadena, Encino and Newport Beach
“RSU Scheme”	the restricted share award scheme conditionally adopted by the Company on February 15, 2019, the principal terms of which are summarized in “RSU Scheme” in Appendix V to the Prospectus
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on June 3, 2019, the principal terms of which are summarized in “Share Option Scheme” in Appendix V to the Prospectus
“Share(s)”	ordinary share(s) in the capital of the Company with nominal value of US\$0.00001 each
“Shareholder(s)”	holder(s) of Share(s)

“Shenzhen Hengyu”	Shenzhen Hengyu Lianxiang Investment Development Co., Ltd (深圳市恒裕聯翔投資發展有限公司), a company established in Shenzhen, PRC with limited liability, the Group’s indirect subsidiary
“Shenzhen Zhongshan Hospital”	Shenzhen Zhongshan Urological Hospital (深圳中山泌尿外科醫院) (previously known as Shenzhen Zhongshan Urological Hospital Co., Ltd (深圳市中山泌尿外科醫院有限公司)), a company established in Shenzhen, PRC with limited liability on May 18, 2004, the Group’s indirect subsidiary that is a for-profit specialty hospital
“sq.m”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S. dollar(s)” or “US\$” or “USD”	United States dollar(s), the lawful currency of the United States of America
“Wuhan Jinxin Hospital”	Wuhan Jinxin Integrated Gynecology and Obstetrics Hospital Co., Ltd (武漢錦欣中西醫結合婦產醫院有限公司), a company established in PRC with limited liability on February 17, 2006, the Group’s indirect subsidiary

*In this announcement, the terms “associate”, “connected person”, “controlling shareholder” and “subsidiary” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.*

By order of the Board  
**Jinxin Fertility Group Limited**  
**Zhong Yong**  
*Chairman*

Hong Kong, August 31, 2022

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Zhong Yong, Dr. John G. Wilcox, Mr. Dong Yang, Ms. Lyu Rong and Dr. Geng Lihong, as executive Directors; Mr. Fang Min, Ms. Hu Zhe and Ms. Yan Xiaoqing, as non-executive Directors; and Dr. Chong Yat Keung, Mr. Li Jianwei, Mr. Wang Xiaobo and Mr. Ye Changqing, as independent non-executive Directors.*

\* *For identification purpose only*